

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re: PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,
as representative of No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, (Jointly Administered)
et al.,
Debtor.¹

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**SUMMARY SHEET ACCOMPANYING FIFTH INTERIM FEE APPLICATION
OF MCKINSEY & COMPANY, INC. WASHINGTON D.C.
AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF DEBTORS,
THE COMMONWEALTH OF PUERTO RICO, FOR THE PERIOD
FROM OCTOBER 1, 2018 THROUGH JANUARY 31, 2019**

Name of Applicant: McKinsey & Company, Inc. Washington D.C.
(“McKinsey Washington”)

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which Compensation
and Reimbursement is Sought: October 1, 2018 through January 31, 2019

Monthly Fee Statements Subject
to Fifth Interim Fee Request: Tenth Monthly Fee Statement
for Compensation for Services Rendered
From October 1, 2018 through October 31, 2018:
Commonwealth Title III Support dated March 8, 2019

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

Eleventh Monthly Fee Statement for Compensation for Services Rendered From November 1, 2018 through November 30, 2018: Commonwealth Title III Support dated March 8, 2019

Twelfth Monthly Fee Statement for Compensation for Services Rendered From December 1, 2018 through December 31, 2018: Commonwealth Title III Support dated March 8, 2019

Thirteenth Monthly Fee Statement for Compensation for Services Rendered From January 1, 2019 through January 31, 2019: Commonwealth Title III Support dated March 8, 2019

Total Fees Requested for Fifth Interim Compensation Period:

\$5,670,000.00

Total expenses requested for Fifth Interim Compensation Period:

\$0.00²

Total fees and expenses requested for Fifth Interim Compensation Period:

\$5,670,000.00

Total requested Fifth Interim Compensation Period fees and expenses paid to date:

\$0.00

Total fees and expenses subject to an Objection:

\$0.00

Type of Application:

**Fifth Interim Fee Application:
Commonwealth Title III Support**

Deadline for parties other than notice parties to file objections:

April 8, 2019

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.,

(Jointly Administered)

Debtor.³

**FIFTH INTERIM FEE APPLICATION OF MCKINSEY & COMPANY, INC.
WASHINGTON D.C. AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL
OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS
REPRESENTATIVE OF DEBTORS, THE COMMONWEALTH OF PUERTO RICO, FOR
THE PERIOD FROM OCTOBER 1, 2018 THROUGH JANUARY 31, 2019**

McKinsey & Company, Inc. Washington D.C. (“McKinsey Washington”), strategic consultants to Debtors in the above-captioned cases, respectfully represents:

INTRODUCTION

1. By this fifth interim fee application (the “Fifth Interim Fee Application”), McKinsey Washington seeks the allowance and payment of compensation for professional services related to

³ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

Commonwealth Title III support rendered pursuant to the *Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [Docket Number 3269] (the “Interim Compensation Order”), the applicable provisions of Title 11 of the United States Code (the “Bankruptcy Code”), the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), the Local Bankruptcy Rules of the United States Bankruptcy Court for the District of Puerto Rico (the “Local Rules”) and Appendix B of the *U.S. Trustee’s Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. §330 by Attorneys in Large Chapter 11 Cases Effective as of November 1, 2013* (the “U.S. Trustee Guidelines,” and together with the Interim Compensation Order, the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, the “Code and Rules”). Pursuant to the Code and Rules, the Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit A.

2. By this Fifth Interim Fee Application, McKinsey Washington seeks allowance and payment of compensation for professional services performed by McKinsey Washington for the period from October 1, 2018 through January 31, 2019 (the “Compensation Period”) pursuant to the “Commonwealth Title III support” Scope of Work set forth in the Consulting Agreement, as defined in paragraph 10 and attached hereto as Exhibit B, in the aggregate amount of \$5,670,000.00, representing 100% of fees incurred during the Compensation Period. McKinsey Washington submits that allowance and payment of this amount are fully warranted given the actual and necessary services rendered to the Debtors by McKinsey Washington, as described in this Fifth Interim Fee Application.

BACKGROUND AND JURISDICTION

3. On May 3, 2017 (the “Petition Date”), the Commonwealth of Puerto Rico (as herein defined), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), pursuant to section 315(b) of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”), filed a petition (the “Petition”) with the United States District Court for the District of Puerto Rico (the “Court”) under Title III of PROMESA.
4. On May 5, 2017, the Puerto Rico Sales Tax Financing Corporation (“COFINA,” and together with the Commonwealth (the “Commonwealth”) of Puerto Rico, the “Debtors”), by and through the Oversight Board, as COFINA’s representative pursuant to PROMESA section 315(b), filed a petition (“COFINA’s Petition,” and together with the Commonwealth’s Petition, the “Petitions”) with the Court under Title III or PROMESA. The filings of the Petitions constitute orders for relief under Title III of PROMESA.
5. On May 9, 2017, the Debtor filed a motion seeking the joint administration of the Title III cases (the “Title III Cases”) for procedural purposes only, pursuant to PROMESA section 304(g) and Bankruptcy Rule 1015, made applicable to these Title III Cases by PROMESA section 310. On June 1, 2017, the Court ordered that the cases be consolidated for procedural purposes and be jointly administered.
6. On June 15, 2017, an Official Committee of Unsecured Creditors and an Official Committee of Retirees was appointed in the Title III case by the United States Trustee for Region 21.
7. On November 8, 2017, the Court entered *the First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, which directs that professionals in the Title III Cases be paid interim compensation and outlines the procedures by

which professionals are to submit, at four-month intervals, “an application for interim Court approval and allowance of the payment of compensation.”

8. On June 6, 2018, the Court entered *the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, which amended certain provisions regarding the procedures by which professionals are to submit, at four-month intervals, “an application for interim Court approval and allowance of the payment of compensation.”
9. This Court has subject matter jurisdiction over this matter pursuant to PROMESA section 306(a). Venue is proper in this district pursuant to PROMESA section 307(a).

THE RETENTION OF MCKINSEY WASHINGTON

10. On or about July 3, 2017, McKinsey Washington and the Board entered into a contract setting forth consulting services McKinsey Washington would provide in support of the Title III litigation (First amendment effective November 1, 2017, Second amendment effective April 1, 2018) (the “Consulting Agreement”), attached hereto as Exhibit B. The scope of work under the Consulting Agreement is divided into three (3) distinct workstreams: (i) Commonwealth Title III Support; (ii) Title III Support for PREPA; and (iii) Title III Support for HTA. This Fifth Interim Fee Application concerns the first workstream, namely Commonwealth Title III Support.⁴
11. Consistent with how McKinsey Washington serves clients and prices its engagements both for the public and private sectors, McKinsey Washington’s fee structure under the Consulting

⁴ McKinsey Washington is simultaneously serving separate Fifth Interim Fee Applications for compensation for services rendered pursuant to the other two (2) workstreams under the Consulting Agreement.

Agreement for services related to Commonwealth Title III support was constructed on a monthly firm fixed price basis, as set forth below for the Compensation Period:

Period of Performance	Fee
October 2018	\$1,417,500
November 2018	\$1,417,500
December 2018	\$1,417,500
January 2019	\$1,417,500

12. These monthly rates are similar to rates that McKinsey Washington charges for professional services rendered in comparable matters. Such fees are reasonable based on the customary compensation in a competitive market.
13. There is no agreement or understanding between McKinsey Washington and any other nonaffiliated person for the sharing of compensation to be received for services rendered in the Title III Cases.
14. All services performed by McKinsey Washington for which fees are requested herein were performed or incurred for and on behalf of the Debtor and were not for any other person or entity.

SUMMARY DESCRIPTION OF SERVICES PERFORMED –
COMMONWEALTH TITLE III SUPPORT

15. Set forth below is a brief summary of the principal matters on which McKinsey Washington provided services in connection with Commonwealth Title III support during the Compensation Period, along with a list of the McKinsey Washington professionals who performed services during that period. In addition to this summary, comprehensive details setting forth the day-to-day

activities performed and deliverables provided by McKinsey Washington professionals are included in McKinsey Washington's Monthly Fee Statements (McKinsey Washington's Tenth Monthly Fee Statement for Compensation For Services Rendered from October 1, 2018 through October 30, 2018: Commonwealth Title III Support (the "Tenth Monthly Fee Statement: Commonwealth Title III Support"); McKinsey Washington's Eleventh Monthly Fee Statement for Compensation For Services Rendered from November 1, 2018 through November 30, 2018: Commonwealth Title III Support (the "Eleventh Monthly Fee Statement: Commonwealth Title III Support"); McKinsey Washington's Twelfth Monthly Fee Statement for Compensation For Services Rendered from December 1, 2018 through December 31, 2018: Commonwealth Title III Support (the "Twelfth Monthly Fee Statement: Commonwealth Title III Support"); and McKinsey Washington's Thirteenth Monthly Fee Statement for Compensation For Services Rendered from January 1, 2019 through January 31, 2019: Commonwealth Title III Support (the "Thirteenth Monthly Fee Statement: Commonwealth Title III Support"), attached hereto as Exhibit C.

October 2018:

The scope of McKinsey Washington's services and deliverables related to Commonwealth Title III in October 2018 focused on finalizing the Commonwealth Fiscal Plan financial model and Fiscal Plan narratives. In this process, the team provided input on the COFINA Fiscal Plan to ensure its consistency with the Commonwealth plan, developed analyses to support Board communications during certification of the Commonwealth plan, worked with the Board's co-advisors to align the budget with the Commonwealth Fiscal Plan, prepared analyses on the Commonwealth's FY18 cash surplus, and prepared preliminary analyses in support of the Best Interest analysis that will be incorporated in the eventual Plan of Adjustment for the Commonwealth.

In the process of finalizing the Commonwealth Fiscal Plan model and narrative, the team

worked with the Board, the Board's co-advisors, and internal experts to include the latest actuals for revenues and expenditures in the Fiscal Plan, as well as to incorporate all technical adjustments known to date. Upon certification, the team supported the Board by preparing detailed responses used for press releases and communications with media and the Government.

In parallel, the team worked to create consistency between the Fiscal Plan and other official documents. First, the team worked with other Board advisors to ensure alignment between the FY19 budget and the Commonwealth Fiscal Plan. Also, the team analyzed the COFINA Fiscal Plan to ensure projections, methodologies, and descriptions were consistent with those in the Commonwealth Fiscal Plan. Finally, the team began work to prepare foundational analyses in support of the eventual Best Interest Analysis, which will be a component of the Plan of Adjustment proposed by the Commonwealth.

The McKinsey Washington personnel who provided services related to the Commonwealth Title III support are set forth below:

Bertil Chappuis (Senior Partner – part time – overall strategic direction);

Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring);

Thomas Dorman (Senior Partner – part time – overall strategic direction);

Tyler Duvall (Partner – part time – overall strategic direction);

Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms);

Ojas Shah (Partner – part time – content director on Fiscal Plan expenditures and restructuring);

Todd Wintner (Associate Partner – part time –content director on healthcare and education);

Sara O'Rourke (Associate Partner – full time – Fiscal Plan & integrating engagement director);

Steven Van Camp (Engagement Manager – full time – integrating engagement manager with focus on Fiscal Plan and restructuring);

Isabella Bennett (Associate – full time – focus on restructuring, pensions, and healthcare);

Anja Nilsson (Analyst – Full Time – focus on Fiscal Plan expenditures, rightsizing, and budget);

Andrew Wei (Analyst – full time – focus on restructuring, expenditures, and IFCUs);

Charlotte Clinger (Analyst – full time – focus on Fiscal Plan macro, revenues and structural reforms); and

Tanner Snider (Analyst – full-time – focus on rightsizing, budget, and other).

The core activities and deliverables related to the Commonwealth Title III support during October 2018 included:

- Finalized the Commonwealth Fiscal Plan model and Fiscal Plan narrative
 - Conducted research with experts, co-advisors to the Board, and through primary sources to include the latest actuals for revenues and expenditures in the Fiscal Plan
 - Updated key assumptions in the Fiscal Plan, including projected revenues based on actuals for the year; projected expenditures based on actual expenditures; and incorporated updated DRF data and roll out information
 - Integrated into the Commonwealth Fiscal Plan adjustments to agency budgets based on agency-specific baseline requests, reapportionments, and utilities updates

- Provided support in the process to finalize the COFINA Fiscal Plan
 - Provided comments to the COFINA Fiscal Plan to ensure consistency in projections (i.e., SUT) between the COFINA and Commonwealth Fiscal Plan
 - Participated in working meetings with the Board's co-advisors related to various sections within the COFINA Fiscal Plan
- Participated in working meetings to translate the Commonwealth Fiscal Plan into the FY19 Budget
 - Participated in working meetings with the Board's co-advisor Ernst & Young ("EY") and Board staff to analyze the implications of general updates on the October Fiscal Plan for the overall FY19 budget
 - Provided facts and recommendations to assist the Board in responding to agency communications related to FY19 budgets; provided commentary to explain how the Board arrived at its budget allocation (e.g., bridging its FY18 budget to the FY19 budget, mapping all measures to agencies)
- Developed documentation to assist the Board in responding to *ad hoc* requests and questions related to certification of the Commonwealth Fiscal Plan and budget from Board executives, creditors, and creditor advisors
 - Developed documentation to explain differences between the Board's Commonwealth Fiscal Plan and the Government Fiscal Plan, between the June Fiscal Plan and the October Fiscal Plan, and between FY18 and FY19

- Developed analyses of relevant legislation, executive orders, or administrative orders to understand their compliance or non-compliance with the Fiscal Plan and relevance to future Fiscal Plan updates
- Completed preliminary FY18 implied cash surplus analyses
 - Finalized a preliminary analysis of FY18 implied cash surplus for the Commonwealth, incorporating TSA cash actuals and projections of the updated Commonwealth Fiscal Plan
- Commenced preliminary work on the Best Interest Analysis
 - Developed a preliminary analysis for the Best Interest Test based on the Certified Fiscal Plan at the direction of counsel

November 2018:

The scope of McKinsey Washington's services and deliverables related to Commonwealth Title III in November 2018 focused on providing support to Government advisors and Board advisors to build the FY19 budget based on the October Fiscal Plan and explaining the implications of the new Fiscal Plan on agency budgets. The team also prepared responses to the GO Rule 2004 litigation requests and further refined the FY18 Implied Cash surplus analysis and the Best Interest Test analysis.

After finalizing the Fiscal Plan, the team worked with the Board to answer questions related to the Certified Fiscal Plan and its implications on agency budgets. This included, among other things, creating a detailed analysis to build a new version of the FY19 budget based on the October Fiscal Plan and the July version of the budget. In addition, the team refined projections of the Commonwealth's long-term surplus based on updated pension projections.

To further support the restructuring process, the team continued refining the Best Interest

analysis through frequent interactions with Board counsel. The team built a model to project potential creditor recoveries after clarifying liabilities and maturity schedules of debt for which the Commonwealth would be responsible if Title III protections were lifted. Also, the team worked with Board advisors to refine the implied cash surplus analysis. Finally, the team worked with Board counsel to produce necessary responses to litigation as part of the GO Rule 2004 dispute. The team also provided a clean, user-friendly version of the October Certified Fiscal Plan model for creditor groups.

The McKinsey Washington personnel who provided services related to the Commonwealth Title III support are set forth below:

Bertil Chappuis (Senior Partner – part time – overall strategic direction);

Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring);

Thomas Dohrmann (Senior Partner – part time – overall strategic direction);

Tyler Duvall (Partner – part time – overall strategic direction);

Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms);

Ojas Shah (Partner – part time – content director on Fiscal Plan Expenditures and Restructuring);

Todd Wintner (Associate Partner – part time – content director on Healthcare and Education);

Sara O'Rourke (Associate Partner – full time – fiscal plan & integrating engagement director);

Steven Van Camp (Engagement Manager – full time – integrating engagement manager with

primary focus on Fiscal Plan and restructuring);

Isabella Bennett (Associate – full time – focus on restructuring, pensions, healthcare, and expenditures);

Anja Nilsson (Analyst – Full Time – focus on fiscal plan expenditures, rightsizing, budget, and other);

Andrew Wei (Analyst – full time – focus on restructuring, expenditures, and IFCUs); and

Tanner Snider (Analyst – full-time – focus on rightsizing, budget, and other).

The core activities and deliverables related to the Commonwealth Title III support during November 2018 included:

- Participated in working meetings to translate the updated Commonwealth Fiscal Plan into the FY19 Budget
 - Developed analysis to identify core changes from the June Fiscal Plan to the October Fiscal Plan including new measures, baseline assumptions, and reapportionments
 - Worked with Board staff to analyze the implications of general updates between the Commonwealth's June and October Fiscal Plan for the overall FY19 budget
 - Developed analyses to assist the Board in explaining new budget allocations based on the October Fiscal Plan (e.g., bridging its FY18 budget to the FY19 budget, mapping all measures to agencies)
- Developed materials to assist the Board in responding to questions related to certification of the Commonwealth Fiscal Plan and budget
 - Refined the Fiscal Plan model, making it user-friendly to allow for sharing with creditor groups

- Developed materials used by the Board in working sessions with Government advisors, specifically on Independently Forecasted Component Units
- Responded to multiple inquiries about the rightsizing model
- Attended working sessions with creditor groups to clarify core assumptions within the Fiscal Plan and Rightsizing Models
- Created an analysis to estimate the impact of updated pension expenses on long-term surpluses/deficits for the Commonwealth
- Conducted further analysis on historical implied cash surplus analysis
 - Refined implied cash surplus analyses for the Commonwealth; created analysis to test whether cash build up in non-Treasury Single Account (non-TSA) bank accounts is related to effective surplus generation
- Provided litigation support in response to the GO Rule 2004 dispute
 - Analyzed requests in the context of the GO Rule 2004 dispute
 - Aligned with legal counsel on strategy for response
 - Collected documents to prepare for production of necessary responses
- Further developed the preliminary work on Best Interest analysis
 - Refined foundational analyses and prepared new work product at the direction of Counsel
 - Engaged with FOMB counsel and other advisors to assess preliminary work

December 2018:

The scope of McKinsey Washington's services and deliverables related to Commonwealth

Title III in December 2018 involved defining the FY20 budget approach in collaboration with Board advisor EY and responding to *ad hoc* requests. The team also supported the overall restructuring process by leading informative sessions with union stakeholders, refining the Best Interest analysis, finalizing the FY18 implied surplus analysis, responding to creditor requests, and analyzing the Government's FY19 TSA Liquidity Plan.

The team developed analyses to explain the rationale for changes in the Certified Fiscal Plan and analyzed the implications of those changes on agency budgets. The team also created analyses that were used as the starting point to translate certain Fiscal Plan adjustments, such as those related to agency-specific baseline requests, reapportionments, and utilities updates, into agencies' FY19 budgets.

In addition, in coordination with EY, the team reviewed budgeting best practices and defined an approach to the FY20 budget process to drive further transparency and clarity around government spending on different fronts. First, the team analyzed the FY20 budget timeline and the Fiscal Plan re-certification timeline to develop a process that encourages agencies to provide their input on time for both the budget and Fiscal Plan processes. Second, the team identified opportunities to enforce existing Fiscal Plan agency efficiency measures through granular data requirements and enhanced budget control language.

In the restructuring process, the team developed materials to support the Board in its engagement with union stakeholders to explain the rationale for proposed agency efficiencies and other fiscal measures, as well as the impact of pension projection updates. In addition, the team began preparing responses to an information request received from Perella Weinberg, advisor to a group of GO creditors.

The team also refined the assumptions informing the Best Interest Analysis, as required by

the PROMESA statute. The team updated the Best Interest Analysis model based on guidance received from other Board advisors. The team also finalized the FY18 implied cash surplus analysis and presented the analysis to creditors. In addition, the team collected documents and drafted responses for Board counsel to produce necessary responses to litigation as part of the GO Rule 2004 dispute. Finally, the team began analyzing the Government's FY19 TSA Liquidity Plan, assessing a) historical seasonality, b) net cashflow in 1H19 vs. 2H19 and 3) FY19 Liquidity Plan surplus vs. FY19 Fiscal Plan surplus.

The McKinsey Washington personnel who provided services related to the Commonwealth Title III support are set forth below:

Bertil Chappuis (Senior Partner – part time – overall strategic direction);

Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring);

Thomas Dohrmann (Senior Partner – part time – overall strategic direction);

Tyler Duvall (Partner – part time – overall strategic direction);

Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms);

Ojas Shah (Partner – part time – content director on Fiscal Plan Expenditures and Restructuring);

Todd Wintner (Associate Partner – part time – content director on Healthcare and Education);

Sara O'Rourke (Associate Partner – full time – Fiscal Plan & integrating engagement director);

Steven Van Camp (Engagement Manager – full time – integrating engagement manager);

Isabella Bennett (Associate – full time – focus on restructuring, pensions, and healthcare);

Anja Nilsson (Analyst – full time – focus on fiscal plan expenditures, rightsizing, and budget);

Nikhil George (Analyst – full time – focus on fiscal plan expenditures, rightsizing, and budget);

Andrew Wei (Analyst – full time – focus on restructuring, expenditures, and IFCUs); and

Tanner Snider (Analyst – full time – focus on rightsizing and budget).

The core activities and deliverables related to the Commonwealth Title III support during December 2018 included:

- Reviewed budgeting best practices and defined an approach to the FY20 budget process in collaboration with EY
 - Identified clear roles and responsibilities for the Board, Board advisors, and Government agencies to ensure transparency and clarity throughout the budgeting process
 - Recommended changes to Fiscal Plan re-certification and budget timelines to ensure data from agencies is better incorporated into Fiscal Plan and budget processes
 - Defined more granular data requirements and enhanced budget control language in the budget process to drive increased visibility and control over implementation of Fiscal Plan agency efficiencies targets
 - Identified additional areas of opportunity across agencies to drive increased efficiency for FY20 agency budgets

- Developed an analysis used in materials to communicate updates on pension projections and agency efficiencies measures
 - Analyzed the impact of revised pension projections on the Fiscal Plan
 - Prepared an analysis of the implications of agency efficiencies measures on agency headcount
 - Developed an analysis used by the Board in its engagement with union stakeholders to explain the impact of revised pension projections and agency efficiencies measures on Fiscal Plan
- Supported the translation of the updated Fiscal Plan into the FY19 budget
 - Completed analysis of implications of general updates of the October Fiscal Plan on FY19 and FY20 budgets in collaboration with the Board's lead budget advisor EY and Board staff
 - Supported the integration of certain Fiscal Plan adjustments (e.g., agency-specific baseline requests, reapportionments, utilities updates) into FY19 agency budgets
 - Continued with development of materials to assist the Board with its response to agency communications related to their FY19 budgets by explaining the impact of the Fiscal Plan on agency budget allocations
- Further refined the preliminary Best Interest Analysis
- Finalized the FY18 implied cash surplus analysis

- Conducted further analysis on the FY19 TSA Liquidity Plan
 - Analyzed the proposed FY19 TSA Liquidity Plan for consistency with documents certified by the Board (e.g., Fiscal Plan, Certified Budget) in collaboration with Government's advisors
- Supported Board staff in developing responses to *ad hoc* requests and questions related to certification of the Fiscal Plan and budget
 - Prepared responses to creditor group questions on the detailed assumptions within the agency efficiencies model
 - Prepared responses to GO Rule 2004 document production requests in coordination with Board counsel
 - Began preparing responses to an information request received from Perella Weinberg, advisor to a group of GO creditors
 - Assisted with responses to *ad hoc* requests related to budget from the Board and its advisors

January 2019:

The scope of McKinsey Washington's services and deliverables related to Commonwealth Title III in January 2019 involved engaging with the Government and Board advisors to incorporate revisions to the Fiscal Plan model, supporting the FY20 budget process, providing continued support relating to the FY19 budget, and responding to *ad hoc* requests. The team also supported the overall restructuring process by further developing the Best Interest Analysis, analyzing the Government's FY19 TSA Liquidity Plan, and responding to creditor requests.

The team incorporated revisions to the October Certified Fiscal Plan, including the integration of updated pension data developed by EY. In addition, the team performed various analyses related to the Fiscal Plan, such as an analysis of Government severance and early retirement programs to quantify their impact on personnel headcount and expenditure decisions. The team also researched any new data available related to disaster recovery funds from FEMA, HUD, and other federal agencies as well as roll-out timing and cost share. In addition, the team worked with FOMB macroeconomist Andy Wolfe to assemble and review any new macroeconomic data on Puerto Rico.

The team provided continuing support in the FY19 budget process by informing the Board's response to agency communications, which included explaining how agencies' FY19 budget allocations were developed using the Fiscal Plan. In addition, the team supported the FOMB in the FY20 budget process on different fronts. First, the team analyzed the implications of revisions to the Fiscal Plan on the budget. Second, the team identified additional opportunity areas for entities to drive increased efficiency for FY20 agency budgets and conducted analysis on potential reinvestment opportunities. Third, the team developed a FY20 budget process that would assist the Board and Government achieve the fiscal controls and transparency expectations set in the Fiscal Plan. Fourth, the team supported the rollout of a budget reapportionment request process to ensure increased transparency and consistency in FOMB evaluation of agency submissions. Finally, the team created agency-level analyses and outputs used as a starting point for the FOMB budget team and advisors to define initial FY20 budget targets.

In the restructuring process, the team engaged extensively with Board counsel and financial advisors to refine the Best Interest Analysis required by the PROMESA statute. The team incorporated updates to the model and jointly assessed preliminary output with the FOMB's advisors. The team also finalized the analysis of the FY19 Liquidity Plan prior to publication to

assess a) historical seasonality, b) net cash flow in 1H19 vs. 2H19, and 3) consistency with the Certified Fiscal Plan and Certified Budget. In addition, the team continued to gather information to respond to an information request received from Perella Weinberg, an advisor to a group of GO creditors. Finally, the team gathered documentation to support Board counsel in the ongoing GO Rule 2004 dispute.

The McKinsey Washington personnel who provided services related to the Commonwealth Title III support are set forth below:

Bertil Chappuis (Senior Partner – part time – overall strategic direction);

Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring);

Thomas Dohrmann (Senior Partner – part time – overall strategic direction);

Tyler Duvall (Partner – part time – overall strategic direction);

Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms);

Ojas Shah (Partner – part time – content director on Fiscal Plan Expenditures and Restructuring);

Todd Wintner (Associate Partner – part time – content director on healthcare and education);

Sara O'Rourke (Associate Partner – full time – Fiscal Plan & integrating engagement director);

Steven Van Camp (Engagement Manager – full time – integrating engagement manager);

Anne-Marie Frassica (Engagement Manager – full time – integrating engagement manager with primary focus on Fiscal Plan);

Rafael Rivera (Senior Associate – full time – junior engagement manager with focus on

restructuring);

Isabella Bennett (Associate – full time – restructuring, pensions and healthcare);

Angel Sarmiento (Associate – full time – focus on rightsizing and budget);

Anja Nilsson (Analyst – full time – focus on fiscal plan expenditures, rightsizing, budget, and other);

Nikhil George (Analyst – full time – focus on fiscal plan expenditures, rightsizing, budget, and other);

Andrew Wei (Analyst – full time – focus on restructuring, expenditures and IFCUs);

Tanner Snider (Analyst – full time – focus on rightsizing and budget);

Paige Hannah (Analyst – full time – focus on Fiscal Plan, pensions, healthcare, and expenditures); and

Akshay Gupta (Analyst – full time – focus on DRF, macro, revenues, and other).

The core activities and deliverables related to the Commonwealth Title III support during January 2019 included:

- Revised the Fiscal Plan model
 - Integrated updated pensions data developed by EY into the Fiscal Plan model, and published a revised version of the model in the creditor data room
 - Analyzed Government severance and early retirement programs to quantify their impact on personnel headcount and expenditure reductions
 - Conducted analysis on specific topics (e.g., legislature benchmarks) to inform Board decisions on initial FY20 agency budget targets

- Gathered the latest data on disaster recovery funds from FEMA, HUD, and other federal agencies
- Analyzed the latest available macroeconomic data on Puerto Rico with the support of Board macroeconomist Andy Wolfe
- Supported the FY19 and FY20 budget process based on the Fiscal Plan
 - Analyzed the implications of updates to the October Fiscal Plan on the FY19 and FY20 budget
 - Analyzed the implications of various budget activities on Fiscal Plan compliance (e.g., potential approaches to FY2020 budget process, reapportionments)
 - Created agency-level analyses and outputs used as a starting point for the FOMB budget team and advisors to define initial FY20 budget targets
 - Identified additional opportunity areas for entities to drive increased efficiency for FY20 agency budgets as well as reinvestment opportunities
 - Developed a FY20 budget process that would assist the Board and Government to achieve the fiscal controls and transparency expectations set in the Fiscal Plan
 - Rolled out a budget reapportionment request and evaluation process to ensure increased transparency and consistency in FOMB evaluation of agency submissions and adherence to the Fiscal Plan
 - Supported the Board's response to agency communications related to their FY19 budgets, helping to explain how the Board arrived at its budget allocation via the Fiscal Plan

- Further developed and refined a draft of the Best Interest Analysis
- Finalized analysis on FY19 TSA Liquidity Plan
 - Analyzed the FY19 Liquidity Plan prior to publication for consistency with the Certified Fiscal Plan and Certified Budget, in collaboration with the Government's advisors and the FOMB team
- Supported the Board in developing perspectives and replies to *ad hoc* requests and questions from creditors and other stakeholders
 - Prepared responses to an information request received from Perella Weinberg, advisor to a group of GO creditors
 - Prepared responses to GO Rule 2004 document production requests in coordination with FOMB counsel
 - Provided information regarding agency efficiency targets, methodology, benchmarks, and others, in support of Board interactions with stakeholders
 - Supported Board staff in meetings with stakeholders regarding Fiscal Plan questions (e.g., Congressional briefings, discussions with think tanks, etc.)
 - Responded to *ad hoc* requests related to budget from the Board and its advisors

SUMMARY OF PROFESSIONAL COMPENSATION REQUESTED

Interim Fee Applications

16. On December 15, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its First Interim Fee Application, covering the compensation period July 1, 2017 through September 30, 2017 [Docket No. 2073].
17. On March 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Second Interim Fee Application, covering the period October 1, 2017 through January 31, 2018 [Docket No. 2756].
18. On July 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Third Interim Fee Application, covering the period February 1, 2018 through May 31, 2018 [Docket No. 3580].
19. On October 31, 2018, pursuant to the *Fee Examiner's Third Interim Report on Professional Fees and Expenses (February 1, 2018 – May 31, 2018)*, the Fee Examiner recommended full approval of the First, Second and Third Interim Fee Applications filed by McKinsey Washington [Docket No. 4126].
20. On November 9, 2018, pursuant to the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the First (May 3 through September 30, 2017), Second (October 1, 2017 through January 31, 2018), and Third (February 1 through May 31, 2018) Interim Compensation Periods* (the “Omnibus Fee Order”), this Court granted McKinsey Washington’s First, Second and Third Interim Fee Applications, and authorized the Debtors to pay one hundred (100%) percent of the fees

requested by McKinsey Washington for each of those compensation periods, as set forth on Exhibit A to the Omnibus Fee Order [Docket No. 4200].

21. On November 16, 2018, pursuant to the Interim Compensation Order, McKinsey Washington filed its Fourth Interim Fee Application, covering the period June 1, 2018 through September 30, 2018 [Docket No. 4333].⁵
22. On March 14, 2019, pursuant to the *Omnibus Order Awarding Interim Allowance of Compensation for Professional Services Rendered and Reimbursement of Expenses for the Fourth Compensation Period (June 12, 2018 through September 30, 2018)* (the “Second Omnibus Fee Order”), this Court granted McKinsey Washington’s Fourth Interim Fee Application, and authorized the Debtors to pay one hundred (100%) percent of the fees requested by McKinsey Washington for the compensation period, as set forth on Exhibit A to the Second Omnibus Fee Order [Docket No. 5654].

⁵ McKinsey Washington’s four prior interim fee applications are summarized as follows:

McKinsey Workstream	First Interim Fee Application	Second Interim Fee Application	Third Interim Fee Application	Fourth Interim Fee Application
Commonwealth	\$1,480,000.00	\$6,550,000.00	\$7,237,000.001 (understated by \$500.00)	\$5,670,000.00
PREPA	\$1,480,000.00	\$2,960,000.00	\$2,960,000.00	\$2,960,000.00
HTA	\$2,160,000.00	\$1,025,000.00	\$1,585,000.00	\$1,240,000.00
Total	\$5,120,000.00	\$10,535,000.00	\$11,782,000.00	\$9,870,000.00
Total for all Workstreams for First Four Interim Fee Periods: \$37,307,000.00				

Monthly Fee Statements

23. On March 8, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Tenth Monthly Fee Statement for services rendered from October 1, 2018 through October 31, 2018 under the Commonwealth Title III Support workstream (the “Tenth Monthly Fee Period”).
24. As reflected in the Tenth Monthly Fee Statement: Commonwealth Title III Support, during the Tenth Monthly Fee Period, McKinsey Washington incurred \$1,417,500.00 in fees related to Commonwealth Title III Support and sought payment of ninety (90%) percent of such fees (\$1,275,750.00) in accordance with the Interim Compensation Order.
25. On March 8, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Eleventh Monthly Fee Statement for services rendered from November 1, 2018 through November 30, 2018 under the Commonwealth Title III Support workstream (the “Eleventh Monthly Fee Period”).
26. As reflected in the Eleventh Monthly Fee Statement: Commonwealth Title III Support, during the Eleventh Monthly Fee Period, McKinsey Washington incurred \$1,417,500.00 in fees related to Commonwealth Title III Support and sought payment of ninety (90%) percent of such fees (\$1,275,750.00) in accordance with the Interim Compensation Order.
27. On March 8, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Twelfth Monthly Fee Statement for services rendered from December 1, 2018 through December 31, 2018 under the Commonwealth Title III Support workstream (the “Twelfth Monthly Fee Period”).
28. As reflected in the Twelfth Monthly Fee Statement: Commonwealth Title III Support, during the Twelfth Monthly Fee Period, McKinsey Washington incurred \$1,417,500.00 in fees related

to Commonwealth Title III Support and sought payment of ninety (90%) percent of such fees (\$1,275,750.00) in accordance with the Interim Compensation Order.

29. On March 8, 2019, pursuant to the Interim Compensation Order, McKinsey Washington served on the Notice Parties (as defined therein) the Thirteenth Monthly Fee Statement for services rendered from January 1, 2019 through January 31, 2019 under the Commonwealth Title III Support workstream (the “Thirteenth Monthly Fee Period”).

30. As reflected in the Thirteenth Monthly Fee Statement: Commonwealth Title III Support, during the Thirteenth Monthly Fee Period, McKinsey Washington incurred \$1,417,500.00 in fees related to Commonwealth Title III Support and sought payment of ninety (90%) percent of such fees (\$1,275,750.00) in accordance with the Interim Compensation Order.

31. To date, McKinsey Washington has been paid a total of \$16,305,154.78⁶ for services rendered under the Commonwealth Title III Support workstream. McKinsey Washington has not received any payment for services rendered during the Compensation Period.

32. Pursuant to this Fifth Interim Fee Application, McKinsey Washington seeks an interim allowance of \$5,670,000.00, representing one hundred (100%) percent of its total fees incurred during the Compensation Period, and payment of the outstanding amount of \$5,670,000.00.

THE REQUESTED COMPENSATION SHOULD BE ALLOWED

33. Section 331 of the Bankruptcy Code provides for interim compensation of professionals and incorporates the substantive standards of section 330 to govern the Court's award of such compensation. Section 330 of the Bankruptcy Code provides that a court may award a professional "reasonable compensation for actual necessary services rendered ... and

⁶ The amounts paid are “net” of any amounts withheld for tax purposes or the statutory contribution of 1.5% of McKinsey Washington’s professional fees to be deposited in the General Fund.

reimbursement for actual, necessary expenses." 11 U.S.C. § 330(a)(1). Section 330 sets forth the criteria for the award of such compensation and reimbursement:

In determining the amount of reasonable compensation to be awarded ..., the court should consider the nature, the extent, and the value of such services, taking into account all relevant factors, including-

- (A) the time spent on such services;
- (B) the rates charged for such services;
- (C) whether the services were necessary to the administration of, or beneficial at the time at which the service was rendered toward the completion of, a case under this title;
- (D) whether the services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed;
- (E) with respect to a professional person, whether the person is board certified or otherwise has demonstrated skill and experience in the bankruptcy field; and
- (F) whether the compensation is reasonable based on the customary compensation charged by comparably skilled practitioners in cases other than cases under this title 11 U.S.C. § 330(a)(3).

34. As demonstrated by this Fifth Interim Fee Application and the exhibits attached hereto, the services that McKinsey Washington rendered during the Compensation Period were reasonable, necessary and appropriate. McKinsey Washington expended its time economically and without unnecessary duplication of effort. In addition, the work conducted was carefully assigned to appropriate professionals, according to the experience and level of knowledge required for each particular task. Accordingly, approval of the compensation sought herein is warranted.

CONCLUSION

WHEREFORE, McKinsey Washington respectfully requests that the Court enter an order awarding McKinsey Washington an interim allowance for the Compensation Period in the total amount of \$5,670,000.00, directing the Debtor to pay McKinsey Washington such interim fees in the amount of \$5,670,000.00, and granting such other relief as this Court deems just and proper.

Dated: March 18, 2019 McKinsey & Company, Inc. Washington DC
Washington DC

/s/ Tyler Duvall

Strategic Consultant to the Debtor

Certificate of Service

1. Notice of this Fifth Interim Fee Application has been or will be provided by overnight delivery or e-mail to:
 - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
 - ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
 - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
 - iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantoni Muñiz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmarini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
 - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
 - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
 - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (aanezes@cstlawpr.com);
 - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq.

(rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteege@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);

- ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. (ajb@bennazar.org);
- x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Francisco.Pena@hacienda.pr.gov);
- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (BWilliamson@gklaw.com; KStadler@gklaw.com).

EXHIBIT A

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.,

(Jointly Administered)

Debtors.

-----x

**CERTIFICATION OF TYLER DUVALL IN SUPPORT OF FIFTH INTERIM FEE
APPLICATION OF MCKINSEY & COMPANY, INC. WASHINGTON D.C.
AS CONSULTING SERVICES PROVIDER TO THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO, AS REPRESENTATIVE OF DEBTORS,
THE COMMONWEALTH OF PUERTO RICO FOR THE PERIOD
FROM OCTOBER 1, 2018 THROUGH JANUARY 31, 2019**

I, Tyler Duvall, certify as follows:

1. I am a Partner in the firm of McKinsey & Company, Inc. Washington DC (“McKinsey Washington”). I submit this certification with respect to the fifth interim fee application of McKinsey Washington as consulting services provider in the above-captioned case (the “Fifth Interim Fee Application”) for the allowance of compensation for professional services rendered during the relevant application period.
2. I make this certification in accordance with the *Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, entered on June 6, 2018 [Docket Number 3269] (the “Interim Compensation Order”).
3. In connection therewith, I hereby certify that:
 - (a) I have read the Fifth Interim Fee Application;
 - (b) To the best of my knowledge, information and belief formed after reasonable inquiry, the fees sought in the Fifth Interim Fee Application are in substantial compliance with the Interim Compensation Order and the United States Trustee Guidelines for

Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, adopted on January 30, 1996; and

- (c) The Debtor, the United States Trustee, the official committee of unsecured creditors and the official committee of retirees of the Debtor have been provided with a copy of the Fifth Interim Fee Application simultaneously with the filing thereof, and will have at least 10 days to review such Fifth Interim Fee Application prior to any objection deadline with respect thereto.

Dated: March 18, 2019
Washington DC

/s/ Tyler Duvall
Tyler Duvall, Partner
McKinsey & Company, Inc. Washington DC
1200 19th Street NW Suite 1100
Washington DC 20036
Telephone: (202) 662 0078
Email: tyler_duvall@McKinsey.com

EXHIBIT B

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and **The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES**. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION**. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY**. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY**. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF McKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. **AUTHORITY OF THE BOARD.** The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

9. **CONFLICTS OF INTEREST.** The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

10. **TERM AND TERMINATION.** This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. **MISCELLANEOUS.** This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico McKinsey & Company, Inc., Washington D.C.
(Client)



Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017



Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko
Title: Executive Director
Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duval
Title: Principal
Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. *Measure:*

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. *Baseline and Macro:*

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. *Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:*

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the “Second Amendment”) effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. (“McKinsey”) and The Financial Oversight and Management Board for Puerto Rico (the “Board” or the “Client”) (together, the “Parties”).

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the “Consulting Agreement”) for strategic consulting support related to Commonwealth Title III Support (the “Services”); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the “First Amendment”); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both “Commonwealth Title III Support” and “Title III Support for HTA”, the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for “Commonwealth Title III Support” is reflected in the “Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support”, attached hereto; and the scope of services for “Title III Support for HTA” is reflected in the “Second Amended Attachment 3 Scope of Work for Title III Support for HTA”, attached hereto. For the avoidance of confusion, “Title III Support for PREPA”, as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**



Name: Natalie A. Jaresko
Title: Executive Director

McKinsey & Company, Inc., Washington D.C.



Name: Tyler Duvall
Title Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT C

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.¹

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**TENTH MONTHLY FEE STATEMENT OF MCKINSEY & COMPANY, INC.
WASHINGTON D.C. FOR COMPENSATION FOR SERVICES RENDERED TO THE
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS
REPRESENTATIVE OF DEBTORS, THE COMMONWEALTH OF PUERTO RICO
FOR THE PERIOD OCTOBER 1, 2018 THROUGH OCTOBER 31, 2018**

Name of Professional: McKinsey & Company, Inc. Washington D.C.
(“McKinsey Washington”)

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which compensation
and reimbursement is sought: October 1, 2018 – October 31, 2018

Amount of compensation sought
as actual, reasonable and necessary: \$1,417,500.00

Amount of expense reimbursement sought
sought as actual, reasonable and necessary²: \$0.00

Type of Fee Statement: Tenth Monthly Fee Statement:
Commonwealth Title III Support³

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

³ Notice of this Tenth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Ninth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “*Interim Compensation Procedures*”), the applicable provisions of the United States Code (the “*Bankruptcy Code*”), the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “*Local Rules*”), McKinsey & Company, Inc. Washington DC (“*McKinsey Washington*”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico (the “*Debtors*” or the “*Board*”), hereby serves this Tenth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that *McKinsey Washington* provided during the month of October 2018 (the “*Fee Period*”) pursuant to the “Commonwealth Title III Support” Scope of Work of the consulting agreement between *McKinsey Washington* and the *Board* for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “*Consulting Agreement*”), attached hereto as Exhibit A. Pursuant to the *Interim Compensation Procedures*, a Certification of Tyler Duvall, a Partner of *McKinsey Washington*, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the *Board*, authorizing the submission of this Tenth Monthly Fee Statement, is attached as Exhibit C.
2. By this Tenth Monthly Fee Statement: Commonwealth Title III Support, *McKinsey Washington* seeks allowance of compensation for services rendered under the *Consulting*

Agreement during the Fee Period in the amount of \$1,275,750.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Procedures).

Summary of Services Rendered During the Fee Period

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Consulting Agreement Commonwealth Title III Support.⁴
4. Included at Exhibit D is a detailed description of McKinsey Washington's scope of services, deliverables and team member activities, pursuant to the Commonwealth Title III Support Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice⁵ for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Commonwealth Title III Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$1,417,500.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$1,275,750.00).
6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.

⁴ McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

⁵ The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey Washington has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey Washington is consistent with the terms of the Consulting Agreement.

7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

Representations

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Tenth Monthly Fee Statement: Commonwealth Title III Support due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Interim Compensation Procedures.

Notice

10. Notice of this Tenth Monthly Fee Statement: Commonwealth Title III Support has been or will be provided by overnight delivery or e-mail to:
 - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison

- Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
 - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
 - iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantoni Muñiz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmarini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
 - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
 - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
 - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (añeses@cstlawpr.com);
 - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteege@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);
 - ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequera, Esq. (ajb@bennazar.org);
 - x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central

Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Francisco.Pena@hacienda.pr.gov);

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$1,275,750.00 representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: March 8, 2019
McKinsey & Company, Inc. Washington DC
Washington DC

s/Tyler Duvall

Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC
1200 19th St NW #1000
Washington, DC 20036
Telephone: (202) 662-3100
Email: Tyler_Duvall@mckinsey.com

Strategic Consultant to the Debtors

EXHIBIT A

***Consulting Services Agreement
Between McKinsey Washington and the Board
In Support of the Title III Litigation
(entered in on or about and July 3, 2017, Amendment No. 1 effective
November 1, 2017, Amendment No. 2 effective April 1, 2018
(the “Consulting Agreement”)
Statement of Work for Commonwealth Title III Support***

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and **The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES**. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION**. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY**. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY**. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF McKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. **AUTHORITY OF THE BOARD.** The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

9. **CONFLICTS OF INTEREST.** The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

10. **TERM AND TERMINATION.** This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. **MISCELLANEOUS.** This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico McKinsey & Company, Inc., Washington D.C.
(Client)



Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017



Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko
Title: Executive Director
Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duval
Title: Principal
Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. *Measure:*

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. *Baseline and Macro:*

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. *Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:*

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the “Second Amendment”) effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. (“McKinsey”) and The Financial Oversight and Management Board for Puerto Rico (the “Board” or the “Client”) (together, the “Parties”).

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the “Consulting Agreement”) for strategic consulting support related to Commonwealth Title III Support (the “Services”); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the “First Amendment”); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both “Commonwealth Title III Support” and “Title III Support for HTA”, the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for “Commonwealth Title III Support” is reflected in the “Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support”, attached hereto; and the scope of services for “Title III Support for HTA” is reflected in the “Second Amended Attachment 3 Scope of Work for Title III Support for HTA”, attached hereto. For the avoidance of confusion, “Title III Support for PREPA”, as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**



Name: Natalie A. Jaresko
Title: Executive Director

McKinsey & Company, Inc., Washington D.C.



Name: Tyler Duvall
Title Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT B

Certification of McKinsey Washington Partner Tyler Duvall

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

-----x

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.

-----x

CERTIFICATION OF TYLER DUVALL

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have personally performed many of the professional services rendered by McKinsey Washington as strategic consultant to the Debtors and am familiar with all other work performed on behalf of the Debtors by the Partners, Associates, and other persons in the Firm;
3. The facts set forth in the foregoing Tenth Monthly Fee Statement: Commonwealth Title III Support are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Tenth Monthly Fee Statement: Commonwealth Title III Support complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:

- i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
- ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;
- iii. The amount of this invoice is reasonable;

- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 8, 2019
Washington, DC

s/Tyler Duvall

Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC

EXHIBIT C

Certification of FOMB Executive Director Natalie Jaresko

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.

(Jointly Administered)

Debtors.

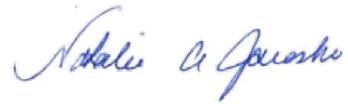
**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S
MONTHLY FEE STATEMENTS FOR THE MONTH OF OCTOBER 2018**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight and Management Board For Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in October 2018 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of October 2018, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: March 6, 2019



Natalie Jaresko, Executive Director
The Financial Oversight and
Management Board for Puerto Rico

EXHIBIT D

Title III Support for Commonwealth

October 2018

Summary of Work

The scope of McKinsey Washington's services and deliverables related to Commonwealth Title III in October 2018 focused on finalizing the Commonwealth Fiscal Plan financial model and fiscal plan narratives and on linking the Fiscal Plan with other relevant documents. In this process, the team provided input on the COFINA Fiscal Plan to ensure its consistency with the Commonwealth plan, supported Board communications during certification of both Fiscal Plans, worked with Board's co-advisors to align budget with the Commonwealth Fiscal Plan, prepared analyses on the Commonwealth's FY18 cash surplus, and prepared preliminary analysis in support of the Best Interest analysis that will be incorporated in the eventual Plan of Adjustment for the Commonwealth.

In the process of finalizing Commonwealth Fiscal Plan model and narrative, the team worked with the Board, with Board's co-advisors and with internal experts to include the latest actuals for revenues and expenditures into the Fiscal Plan, as well as to incorporate all technical adjustments known to date. Upon certification, the team supported the Board by writing detailed responses used for press releases and communications with media and the Government.

In parallel, the team worked to create consistency between the Fiscal Plan and other official documents. First, the team worked with the Board's accounting advisors to ensure alignment between the FY19 budget and the Commonwealth Fiscal Plan. Also, the team analyzed the COFINA Fiscal Plan to ensure projections, methodologies, and descriptions were consistent with those in the Commonwealth Fiscal Plan. Finally, the team began work to prepare foundational analyses in support of the eventual Best Interest Analysis, which will be a component of the Plan of Adjustment proposed by the Commonwealth.

McKinsey Washington's Commonwealth Title III Team Detailed Activities by Deliverable:

- Finalized the Commonwealth Fiscal Plan model and Fiscal Plan narrative
 - Updated key assumptions in the Fiscal Plan, including projected revenues based on actuals for the year; projected expenditures based on the differential between actual and budgeted expenditures; and incorporated updated DRF data and roll out information
 - Conducted additional research with experts, fellow Board's co-advisors, and through primary sources to include the latest actuals for revenues and expenditures into the Fiscal Plan

- Integrated into the Commonwealth Fiscal Plan adjustments to agency budgets based on agency specific baseline requests, reapportionments, and utilities updates
- Provided support in the process to finalize the COFINA Fiscal Plan
 - Provided comments to the COFINA Fiscal Plan Word document to ensure consistency in projections (i.e., SUT) between the COFINA and Commonwealth Fiscal Plan
 - Participated in working meetings with Board's co-advisors related to various sections within the COFINA Fiscal Plan
- Participated in working meetings to translate the Commonwealth Fiscal Plan into the FY19 Budget
 - Participated in working meetings with Board's co-advisor EY and Board staff to analyze implications of general updates on October Fiscal Plan for overall FY19 budget
 - Provided facts and recommendations for Board to respond to agency communications related to FY19 budgets; provided arguments to explain how the Board arrived at their budget allocation (e.g., bridging their FY18 budget to the FY19 budget, mapping all measures to agencies)
- Developed documentation for the Board to respond to ad hoc requests and questions related to certification of the Commonwealth Fiscal Plan and budget from Board executives, creditors, and creditor advisors
 - Developed documentation to explain differences between the Board's Commonwealth Fiscal Plan and the Gov't Fiscal Plan, between the June Fiscal Plan and the October Fiscal Plan, and between FY18 and FY19
 - Developed analyses of relevant legislation, executive orders, or administrative orders to understand their compliance or non-compliance with the Fiscal Plan and relevance to future Fiscal Plan updates
- Completed preliminary FY18 implied cash surplus analyses
 - Finalized preliminary analysis of FY18 implied cash surplus for the Commonwealth, incorporating TSA cash actuals and projections of the updated Commonwealth Fiscal Plan
- Kicked off the preliminary work on Best Interest Analysis
 - Developed preliminary analysis for the Best Interest Test based on the Certified Fiscal Plan at the direction of Counsel

McKinsey Washington's Commonwealth Title III Team Detail and Contributions

The McKinsey team was led by Bertil Chappuis, Kevin Carmody, Thomas Dohrmann, Tyler Duvall, Jonathan Davis and Ojas Shah, who provided overall strategic guidance, expert input and coordination, as well as by Associate Partners (Sara O'Rourke and Todd Wintner), who

provided direction to the working team, expert input and stakeholder management. The working team consisted of 1 full-time Engagement Manager (Steven Van Camp), 1 full-time Associate (Isabella Bennett) and 4 full-time Analysts (Charlotte Clinger, Andrew Wei, Anja Nilsson, and Tanner Snider).

- Bertil Chappuis (Senior Partner – part time – overall strategic direction)
 - Provided overall quality control on team content
 - Responsible for relationships with key stakeholders, including Board, Board staff, and co-advisors
 - Participated in Board meetings and sessions to review updates and next steps to the Fiscal Plan
- Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring)
 - Participated in team working sessions related to the preliminary Best Interest Analysis
 - Participated in working sessions on the Implied Cash Surplus with particular focus on interpretation of TSA and non-TSA cash activity
 - Participated in Board and FOMB calls to provide updates regarding Title III and Fiscal Plan related analyses
 - Provided overall quality control on Commonwealth Fiscal Plan work
- Thomas Dohrmann (Senior Partner – part time – overall strategic direction)
 - Participated in select Board sessions and FOMB meetings discussing Fiscal Plan
 - Participated in team working sessions related to the Fiscal Plan to provide overall guidance and quality control
- Tyler Duvall (Partner – part time – overall strategic direction)
 - Provided overall leadership across all aspects of the Fiscal Plan development process
 - Led team's participation in working sessions with the Board related to Commonwealth Fiscal Plan
 - Participated frequently in working session with team ensuring consistency, providing guidance to pressure test assumptions, and framing decisions for Board
 - Provided expertise on various agency efficiencies measures, including personnel and non-personnel spend; provided guidance to estimate opportunities for increased technology investment in government; participated in working sessions related to cost reduction and macroeconomic models
 - Counseled FOMB staff leadership and Board members on various Fiscal Plan components and on its communication

- Participated in team working sessions and supported in content development related to the preliminary Best Interest Analysis
- Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues, and structural reforms)
 - Led holistic review of Fiscal Plan revenue trends to incorporate updates on macroeconomic forecast and FY 2018 revenue actuals
 - Conducted Board and Executive Director briefings on key decisions related to revenue topics
 - Reviewed and edited key sections of the October Certified Fiscal Plan, with focus on revenue topics
 - Participated in team working sessions related to macroeconomic and revenue performance trends
 - Conducted research on select revenue topics to refine and validate revenue models and forecasts
 - Conducted overall quality review on Fiscal Plan documents and briefing materials
 - Participated in team working sessions related to the preliminary Best Interest Analysis
- Ojas Shah (Partner – part time – content director on Fiscal Plan expenditures and restructuring)
 - Participated in several cross-advisor and FOMB discussions regarding updates to revenue and expense inputs in the Fiscal Plan
 - Participated in discussions with government advisors to update professional fee assumptions in Fiscal Plan
 - Participated in several team working sessions to review draft of Commonwealth Fiscal Plan
 - Participated on working sessions on FY18 Implied Cash Surplus analyses
 - Participated in discussion regarding implications of new Fiscal Plan on FY19 budget
 - Participated in Board and FOMB calls to provide updates regarding Title III and Fiscal Plan related analyses
 - Provided expertise and thought leadership in the development of the preliminary Best Interest Analysis
 - Participated in discussions with legal counsel and reviewed initial set of materials assembled at the request of counsel related to litigation matters
- Todd Wintner (Associate Partner – part time – content director on healthcare and education)

- Directed work on all matters related to healthcare; participated in working sessions to incorporate trends of federal funding streams and other auxiliary revenues into healthcare expenditure projections
- Directed work on all matters related to K12 education / PRDE; updated fiscal measure expectations by incorporating latest headcount and declining student enrollment projections
- Participated in working meetings to ensure alignment between re-certified UPR Fiscal Plan and Commonwealth Fiscal Plan
- Sara O'Rourke (Associate Partner – full time – Fiscal Plan & integrating engagement director)
 - Prepared and led Board briefings on questions related to Fiscal Plan assumptions and scenario analysis for debt sustainability analyses
 - Prepared and led Board briefings on questions related to translating the Fiscal Plan to the FY19 budget
 - Provided overall guidance and quality control on Board briefing documents related to the Commonwealth Fiscal Plan
 - Provided overall guidance and content control for publicly released information of the October Certified Fiscal Plan
 - Led team in interactions with other Board advisor teams and with Government
 - Served as expert on all agency efficiencies measures, as well as on select structural reforms (e.g., Ease of Doing Business, Labor reform, NAP, etc.)
- Steven Van Camp (Engagement Manager – full time – integrating engagement manager with focus on Fiscal Plan and restructuring)
 - Led the preparation of the final Fiscal Plan model and document for certification (e.g., through model audit, and incorporating document reviews, legal comments, exhibit updates, etc.)
 - Led the working team in the development of analyses supporting the certification of the Commonwealth Fiscal Plan (e.g., building detailed bridges with Gov't Fiscal Plan, June Certified Fiscal Plan, and between FY18 and FY19)
 - Led meetings with FOMB staff related to Implied Cash Surplus, Weekly/ Monthly cash reports, and Best Interest Analysis
- Isabella Bennett (Associate – full time – focus on restructuring, pensions, and healthcare)
 - Worked with Board staff and FOMB advisors to write the debt sustainability section of the Fiscal Plan

- Developed briefing materials for government advisors to disseminate information related to new Healthcare assumptions and model structure; led live demonstrations of new calculations and answered healthcare-related questions for sustainability analyses
- Developed materials for communications prior to certification of the Commonwealth Fiscal Plan
- Made analysis related to the potential cost of energy legislation
- Led the analysis related to Best Interest Test by identifying preliminary scenarios for the Commonwealth under non-bankruptcy protection and by sizing debt stack of the Commonwealth
- Anja Nilsson (Analyst – Full Time – focus on Fiscal Plan expenditures, rightsizing, and budget)
 - Led working team responsible for incorporating updates to the Commonwealth Fiscal Plan; made analyses to integrate adjustments to agency budgets based on agency specific baseline requests, reapportionments, and utilities updates
 - Drafted materials for Board's to respond to agency communications related to their FY19 budgets, helping to explain how the Board arrived at their budget allocation (e.g., bridging their FY18 budget to the FY19 budget, mapping all measures to agencies)
 - Participated in working sessions with EY and Board staff to analyze implications of general updates of Commonwealth's June and October Fiscal Plan on overall FY19 budget
- Andrew Wei (Analyst – full time – focus on restructuring, expenditures, and IFCUs)
 - Made ad hoc analyses requested by the Board (e.g., mapping major drivers of variance between June and October Certified Fiscal Plans, comparing magnitude of proposed measures in the Certified Fiscal Plan against historical budget cuts in U.S. states)
 - Participated in working sessions with Board advisors to refine 5-year forecasts for Independently Forecast Component Units (IFCUs) incorporated into the Fiscal Plan, and to refine view on timing of professional fee payments to be incorporated into the Commonwealth Fiscal Plan
 - Finalized preliminary analysis of FY18 implied cash surplus for the Commonwealth, incorporating TSA cash actuals and projections of the updated Commonwealth Fiscal Plan
 - Developed preliminary analysis for the Best Interest Test based on the Certified Fiscal Plan, modeling a range of scenarios to form an initial perspective on a reality without bankruptcy protection
- Charlotte Clinger (Analyst – full time – Fiscal Plan macro, revenues and structural reforms)

- Finalized analyses on macroeconomic and revenue projections integrated into the Commonwealth Fiscal Plan model and related document updates
- Worked with McKinsey teams who cover the instrumentalities (i.e., HTA, PREPA, PRASA) to align macroeconomic assumptions across Fiscal Plans
- Made analyses to integrate federal funding announcements into the Fiscal Plan
- Participated in working sessions with Board’s macroeconomist to pressure test macroeconomic assumptions on the Commonwealth Fiscal Plan
- Participated in working sessions with FOMB staff and Board members to validate assumptions on DRF amount, rollout of funding, and pass-through
- Tanner Snider (Analyst – full-time – rightsizing, budget, and other)
 - Created analysis to show high-level impact of personnel rightsizing measures across multiple agencies to inform Board’s discussion with Government stakeholders regarding the October Certified Fiscal Plan
 - Made analysis to estimate the impact of changes on the agencies’ spending baselines and rightsizing measures derived from the October Certified Fiscal Plan
 - Made document with summary of all Government-requested budget reapportionments and the related decisions by the Board

EXHIBIT E

October 2018 Invoice

McKinsey&Company

The Financial Oversight and
Management Board for Puerto Rico
PO Box 195556
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant
accountspayable@promesa.gov

Invoice No: USG-GPC026-5380

Consulting Agreement
Client for Strategic Consulting support related to
the Title III Cases
Effective Agreement Date: November 1, 2017
Amendment Date: April 1, 2018

Invoice Date: 11/19/2018

Net 30

FFP Payment Schedule for Commonwealth Services

Invoice PoP: October 1, 2018 – October 31, 2018

Gross invoice amount for services performed outside Puerto Rico:	\$ 1,251,628.57
Gross invoice amount for services performed in Puerto Rico:	\$ 233,621.73
Subtotal	\$ 1,485,250.30
Less withholding tax deducted at source	\$ (67,750.30)
Net Invoice Payable:	\$ 1,417,500.00

Total Invoice: \$1,417,500.00

Please wire transfer payment to:
McKinsey & Company, Inc.
Citibank N.A.
Bank Account Number: 30420698
Bank ABA Routing Number: 021000089

If remitting by check please send check to:
McKinsey & Company, Inc.
P.O. Box 7247-7255
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

Please reference the invoice number and invoice date on your remittance advice.

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.¹

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**ELEVENTH MONTHLY FEE STATEMENT OF MCKINSEY & COMPANY, INC.
WASHINGTON D.C. FOR COMPENSATION FOR SERVICES RENDERED TO THE
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS
REPRESENTATIVE OF DEBTORS, THE COMMONWEALTH OF PUERTO RICO
FOR THE PERIOD NOVEMBER 1, 2018 THROUGH NOVEMBER 30, 2018**

Name of Professional: McKinsey & Company, Inc. Washington D.C.
(“McKinsey Washington”)

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which compensation
and reimbursement is sought: November 1, 2018 – November 30, 2018

Amount of compensation sought
as actual, reasonable and necessary: \$1,417,500.00

Amount of expense reimbursement sought
sought as actual, reasonable and necessary²: \$0.00

Type of Fee Statement: Eleventh Monthly Fee Statement:
Commonwealth Title III Support³

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

³ Notice of this Eleventh Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Ninth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “*Interim Compensation Procedures*”), the applicable provisions of the United States Code (the “*Bankruptcy Code*”), the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “*Local Rules*”), McKinsey & Company, Inc. Washington DC (“*McKinsey Washington*”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico (the “*Debtors*” or the “*Board*”), hereby serves this Eleventh Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey Washington provided during the month of November 2018 (the “*Fee Period*”) pursuant to the “*Commonwealth Title III Support*” Scope of Work of the consulting agreement between McKinsey Washington and the Board for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “*Consulting Agreement*”), attached hereto as Exhibit A. Pursuant to the *Interim Compensation Procedures*, a Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the Board, authorizing the submission of this Eleventh Monthly Fee Statement, is attached as Exhibit C.
2. By this Eleventh Monthly Fee Statement: Commonwealth Title III Support, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting

Agreement during the Fee Period in the amount of \$1,275,750.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Procedures).

Summary of Services Rendered During the Fee Period

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Consulting Agreement Commonwealth Title III Support.⁴
4. Included at Exhibit D is a detailed description of McKinsey Washington's scope of services, deliverables and team member activities, pursuant to the Commonwealth Title III Support Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice⁵ for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Commonwealth Title III Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$1,417,500.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$1,275,750.00).
6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.

⁴ McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

⁵ The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey Washington has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey Washington is consistent with the terms of the Consulting Agreement.

7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

Representations

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Eleventh Monthly Fee Statement: Commonwealth Title III Support due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Interim Compensation Procedures.

Notice

10. Notice of this Eleventh Monthly Fee Statement: Commonwealth Title III Support has been or will be provided by overnight delivery or e-mail to:
 - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison

- Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
 - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
 - iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantoni Muñiz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmarini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
 - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
 - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
 - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (añeses@cstlawpr.com);
 - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteege@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);
 - ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequera, Esq. (ajb@bennazar.org);
 - x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central

Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Francisco.Pena@hacienda.pr.gov);

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$1,275,750.00 representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: March 8, 2019
McKinsey & Company, Inc. Washington DC
Washington DC

s/Tyler Duvall

Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC
1200 19th St NW #1000
Washington, DC 20036
Telephone: (202) 662-3100
Email: Tyler_Duvall@McKinsey.com

Strategic Consultant to the Debtors

EXHIBIT A

***Consulting Services Agreement
Between McKinsey Washington and the Board
In Support of the Title III Litigation
(entered in on or about and July 3, 2017, Amendment No. 1 effective
November 1, 2017, Amendment No. 2 effective April 1, 2018
(the “Consulting Agreement”)
Statement of Work for Commonwealth Title III Support***

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and **The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES**. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION**. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY**. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY**. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF McKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. **AUTHORITY OF THE BOARD.** The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

9. **CONFLICTS OF INTEREST.** The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

10. **TERM AND TERMINATION.** This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. **MISCELLANEOUS.** This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico McKinsey & Company, Inc., Washington D.C.
(Client)



Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017



Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko
Title: Executive Director
Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duval
Title: Principal
Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. *Measure:*

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. *Baseline and Macro:*

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. *Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:*

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the “Second Amendment”) effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. (“McKinsey”) and The Financial Oversight and Management Board for Puerto Rico (the “Board” or the “Client”) (together, the “Parties”).

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the “Consulting Agreement”) for strategic consulting support related to Commonwealth Title III Support (the “Services”); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the “First Amendment”); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both “Commonwealth Title III Support” and “Title III Support for HTA”, the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for “Commonwealth Title III Support” is reflected in the “Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support”, attached hereto; and the scope of services for “Title III Support for HTA” is reflected in the “Second Amended Attachment 3 Scope of Work for Title III Support for HTA”, attached hereto. For the avoidance of confusion, “Title III Support for PREPA”, as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**

Natalie A. Jaresko

Name: Natalie A. Jaresko
Title: Executive Director

McKinsey & Company, Inc., Washington D.C.

Tyler Duvall

Name: Tyler Duvall
Title Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT B

Certification of McKinsey Washington Partner Tyler Duvall

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

-----x

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.

-----x

CERTIFICATION OF TYLER DUVALL

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have personally performed many of the professional services rendered by McKinsey Washington as strategic consultant to the Debtors and am familiar with all other work performed on behalf of the Debtors by the Partners, Associates, and other persons in the Firm;
3. The facts set forth in the foregoing Eleventh Monthly Fee Statement: Commonwealth Title III Support are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Eleventh Monthly Fee Statement: Commonwealth Title III Support complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:

- i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
- ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;
- iii. The amount of this invoice is reasonable;

- iv. The services were rendered and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 8, 2019
Washington, DC

s/Tyler Duvall

Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC

EXHIBIT C

Certification of FOMB Executive Director Natalie Jaresko

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.

(Jointly Administered)

Debtors.

**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S
MONTHLY FEE STATEMENTS FOR THE MONTH OF NOVEMBER 2018**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight and Management Board for Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in November 2018 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of November 2018, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: March 6, 2019



Natalie Jaresko, Executive Director
The Financial Oversight and
Management Board for Puerto Rico

EXHIBIT D

Title III Support for Commonwealth

November 2018

Summary of Work

The scope of McKinsey Washington's services and deliverables related to Commonwealth Title III in November 2018 focused on providing support to Government and Board advisors to build FY19 budget based on October Fiscal Plan and explaining the implications of the new Fiscal Plan on agency budgets. The team also prepared responses to the GO Rule 2004 information requests and further refined the FY18 Implied Cash surplus analysis and the Best Interest Test analysis.

After finalizing the Fiscal Plan, the team worked with the Board to answer questions related to the Certified Fiscal Plan and its implications on agency budgets. This included, among other things, creating a detailed analysis to build a new version of the FY19 budget based on the October Fiscal Plan and the July version of the budget. In addition, the team refined projections of Commonwealth's long-term surplus based on updated pension projections.

To further support the restructuring process, the team continued refining the Best Interest Test through frequent interactions with Board counsel. The team built a model to project potential creditor recoveries after clarifying liabilities and maturity schedules of debt the Commonwealth would be responsible for if Title III protections were lifted. Also, the team worked with Board advisors to refine the implied cash surplus analysis. Finally, the team worked with Board counsel to produce necessary responses to litigation as part of the GO Rule 2004 dispute; the team also provided a clean, user-friendly version of the Fiscal Plan model for creditor groups.

McKinsey Washington's Commonwealth Title III Team Detailed Activities by Deliverable:

- Participated in working meetings to translate the updated Commonwealth Fiscal Plan into the FY19 Budget
 - Created analysis to identify core changes from June Fiscal Plan to October Fiscal Plan including new measures, baseline assumptions, and reapportionments
 - Worked with Board staff to analyze implications of general updates between Commonwealth's June and October Fiscal Plan for overall FY19 budget
 - Developed analyses to help the Board explain new budget allocations based on October Fiscal Plan (e.g., bridging their FY18 budget to the FY19 budget, mapping all measures to agencies)
- Developed materials to help Board respond to questions related to certification of the Commonwealth Fiscal Plan and budget

- Refined the Fiscal Plan model to make it user-friendly and allow for sharing it with creditor groups
- Developed materials used by Board in working sessions with Government advisors, specifically on Independently Forecasted Component Units
- Responded to multiple inquiries about the rightsizing model
- Attended working sessions with creditor groups to clarify core assumptions within Fiscal Plan and Rightsizing Models
- Created analysis to estimate impact of updated pension expenses on long-term surpluses/deficits for the Commonwealth
- Conducted further analysis on historical implied cash surplus analysis
 - Refined implied cash surplus analyses for the Commonwealth; created analysis to test whether cash build up in non-Treasury Single Account (non-TSA) bank accounts is related to effective surplus generation
- Provided litigation support in response to the GO Rule 2004 dispute
 - Analyzed requests in the context of the GO Rule 2004 dispute
 - Aligned with legal counsel on strategy for response
 - Collected documents to prepare for production of necessary responses
- Further developed the preliminary work on Best Interest Analysis
 - Refined foundational analyses and prepared new work product at the direction of Counsel
 - Engaged with FOMB counsel and other advisors to assess preliminary work

McKinsey Washington's Commonwealth Title III Team Detail and Contributions

The McKinsey team was led by Bertil Chappuis, Kevin Carmody, Thomas Dohrmann, Tyler Duvall, Jonathan Davis and Ojas Shah, who provided overall strategic guidance, expert input and coordination, as well as Associate Partners (Sara O'Rourke and Todd Wintner), who provided direction to the working team, expert input and stakeholder management. The working team consisted of a full-time Engagement Manager (Steven Van Camp), a full-time Associate (Isabella Bennett) and 3 full-time Analysts (Andrew Wei, Anja Nilsson, and Tanner Snider).

- Bertil Chappuis (Senior Partner – part time – overall strategic direction)
 - Provided overall quality control on team content
 - Responsible for relationships with key stakeholders, including Board, Board staff and co-advisors
 - Participated in Board meetings and sessions to review technical adjustments for the Commonwealth Fiscal Plan as certified in October and to assess impact of Fiscal Plan updates for the FY19/ FY20 Budget
 - Attended strategic discussion on the Best Interest Analysis and the cash analyses

- Kevin Carmody (Senior Partner – part time – strategic direction, primarily focused on restructuring)
 - Participated in team working sessions related to the Best Interest Analysis
 - Provided quality control on various team workstreams, mostly related to Restructuring topics
 - Participated in working sessions related to the FY18 Implied Cash Surplus analyses
 - Provided strategic thought leadership in preparation of the responses to the GO Rule 2004 Dispute
- Thomas Dohrmann (Senior Partner – part time – overall strategic direction)
 - Participated in select Board sessions and FOMB meetings discussing Fiscal Plan technical adjustments and implications for FY19/ FY20 Budget
 - Participated in team working sessions related to the Fiscal Plan and translation into Budget
- Tyler Duvall (Partner – part time – overall strategic direction)
 - Provided overall leadership across all aspects of the Fiscal Plan, the Budget and the Restructuring (including Best Interest Analysis)
 - Led team's participation in Board working sessions, specifically related to Commonwealth Fiscal Plan, budget, and Best Interest Analysis
 - Provided expertise on translation of the Fiscal Plan updates into the FY19 Budget, as well as on the Board's future strategy regarding agency budgeting
 - Participated in working sessions on Best Interest Analysis and Implied Cash Surplus analyses
- Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms)
 - Briefed Executive Director and staff on Fiscal Plan topics related to baseline revenues and measures
 - Provided subject matter expertise on revenue topics related to Restructuring analyses (e.g., Best Interest Analysis)
 - Led efforts to translate Fiscal Plan measures to budget and implementation oversight on revenue topics
- Ojas Shah (Partner – part time – content director on Fiscal Plan expenditures and restructuring)
 - Provided overall leadership across all aspects on Restructuring related topics
 - Participated in several working sessions to assess implications of the Fiscal Plan update for the FY19/ FY20 Budget
 - Conducted review sessions on Implied Cash Surplus analysis

- Participated in working sessions with team and counsel and provided expertise and thought leadership on Best Interest Analysis
- Participated in discussions with counsel and reviewed materials assembled at the request of counsel related to litigation matters
- Participated in Board and FOMB calls to provide updates regarding Title III and Fiscal Plan related analyses
- Todd Wintner (Associate Partner – part time – content director on healthcare and education)
 - Directed work on all matters related to healthcare including refining projections to incorporate deepening understanding of federal funding streams and other auxiliary revenues (e.g., updates to federal fund accounts)
 - Directed work on all matters related to K12 education/ PRDE, particularly in bridging real time expenditure data to fiscal plan baseline projections
 - Participated in working meetings to ensure alignment between re-certified UPR Fiscal Plan and Commonwealth Fiscal Plan
- Sara O'Rourke (Associate Partner – full time – Fiscal Plan & integrating engagement director)
 - Provided overall guidance and quality control on Board materials and briefing documents related to the Commonwealth Fiscal Plan
 - Provided overall guidance and content control for responses to questions from the Government about the October Fiscal Plan, and communications related to the FY19 Budget
 - Provided overall guidance and input on communications and attended core “question and answer” sessions relevant to Fiscal Plan with creditor stakeholders
 - Played integrating thought leadership role across all areas of analysis, ensuring consistency, pressure testing assumptions, and framing decisions for board
 - Led team in interactions with other Board advisor teams and with Government
 - Served as expert on all agency efficiencies measures, as well as on select structural reforms (e.g., Ease of Doing Business, Labor reform, NAP, etc.)
- Steven Van Camp (Engagement Manager – full time – integrating engagement manager with primary focus on Fiscal Plan and restructuring)
 - Led the daily work on Implied Cash Surplus analysis, Best Interest Test, and Fiscal Plan updates
 - Led meetings with FOMB staff related to Implied Cash Surplus, Weekly/ Monthly cash reports, and Best Interest Analysis
 - Led the daily working team by helping in prioritization of activities, integration across fiscal policy and restructuring topics, and quality control of analyses and decision documents

- Isabella Bennett (Associate – full time – focus on restructuring, pensions, healthcare, and expenditures)
 - Prepared responses to the Health Insurance Administration related to questions about the October Fiscal Plan
 - Created analysis for integration and interpretation of impact on the Budget of updates to the Fiscal Plan
 - Built preliminary Best Interest Test model, and supported iteration and legal research with external legal counsel
 - Created *ad hoc* analyses for the Board, such as analyzing legislation proposing updates municipal appropriations for compliance with the Fiscal Plan
 - Coordinated across past and present team members, and internal and external legal counsel to respond to extensive production requests from creditors as part of the GO Rule 2004 dispute
- Anja Nilsson (Analyst – Full Time – focus on fiscal plan expenditures, rightsizing, budget, and other)
 - Participated in working sessions with EY and Board to analyze implications of general updates between June and October Fiscal Plan for overall FY19 budget
 - Developed materials for Board to respond to agency communications related to FY19 budgets, helping to explain how the Board arrived at their budget allocation (e.g., bridging their FY18 budget to the FY19 budget, mapping all measures to agencies)
 - Created ad hoc analyses requested by the FOMB related to the Fiscal Plan and budget
- Andrew Wei (Analyst – full time – focus on restructuring, expenditures, and IFCUs)
 - Produced easy-to-navigate version of the Certified Fiscal Plan model shared with creditor groups
 - Prepared documents to respond to agency questions related to FY19 budgets, specifically regarding Certified Fiscal Plan forecasts for Independently Forecast Component Units
 - Worked with Board's legal advisors to incorporate relevant legal considerations into the Best Interest Analysis
 - Worked with the Board's advisors to identify Commonwealth's debt obligations in a situation with no bankruptcy protection as part of the Best Interest Analysis
 - Worked with Board advisors to refine the implied cash surplus analysis through a detailed investigation of bank account inventory data; made analysis to identify timing-related cash buildup vs. cash buildup through surplus generation
 - Analyzed proposed legislation (HR 1622) to determine its potential impact on Certified Fiscal Plan projections
- Tanner Snider (Analyst – full-time – focus on rightsizing, budget, and other)
 - Prepared agency-level document informing on budgets and explaining any changes from the June Certified Fiscal Plan to the new October Certified Fiscal Plan

- Created detailed analysis of grouping-level efficiency measures as prescribed in the October Certified Fiscal Plan, which were helpful in Board discussions with Union stakeholders (e.g., providing total impact of personnel and non-personnel measures for agency groupings with union members)
- Created a standardized process and template for the Board’s staff to effectively track and manage Government agency budget requests moving forward

EXHIBIT E

November 2018 Invoice

McKinsey&Company

The Financial Oversight and
Management Board for Puerto Rico
PO Box 195556
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant
accountspayable@promesa.gov

Invoice No: USG-7453QK-5421

Consulting Agreement
Client for Strategic Consulting support related to
the Title III Cases
Effective Agreement Date: November 1, 2017
Amendment Date: April 1, 2018

Invoice Date: 12/14/2018

Net 30

FFP Payment Schedule for Commonwealth Services

Invoice PoP: November 1, 2018 – November 30, 2018

Gross invoice amount for services performed outside Puerto Rico:	\$	794,554.78
Gross invoice amount for services performed in Puerto Rico:	\$	877,387.63
	Subtotal	\$ 1,671,942.41
Less withholding tax deducted at source	\$	(254,442.41)
	Net Invoice Payable:	\$ 1,417,500.00

Total Invoice: \$1,417,500.00

Please wire transfer payment to:
McKinsey & Company, Inc.
Citibank N.A.
Bank Account Number: 30420698
Bank ABA Routing Number: 021000089

If remitting by check please send check to:
McKinsey & Company, Inc.
P.O. Box 7247-7255
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

Please reference the invoice number and invoice date on your remittance advice.

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.¹

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**TWELFTH MONTHLY FEE STATEMENT OF MCKINSEY & COMPANY, INC.
WASHINGTON D.C. FOR COMPENSATION FOR SERVICES RENDERED TO THE
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS
REPRESENTATIVE OF DEBTORS, THE COMMONWEALTH OF PUERTO RICO
FOR THE PERIOD DECEMBER 1, 2018 THROUGH DECEMBER 31, 2018**

Name of Professional: McKinsey & Company, Inc. Washington D.C.
(“McKinsey Washington”)

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which compensation
and reimbursement is sought: December 1, 2018 – December 31, 2018

Amount of compensation sought
as actual, reasonable and necessary: \$1,417,500.00

Amount of expense reimbursement sought
sought as actual, reasonable and necessary²: \$0.00

Type of Fee Statement: Twelfth Monthly Fee Statement:
Commonwealth Title III Support³

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

³ Notice of this Twelfth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Twelfth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “*Interim Compensation Procedures*”), the applicable provisions of the United States Code (the “*Bankruptcy Code*”), the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “*Local Rules*”), McKinsey & Company, Inc. Washington DC (“*McKinsey Washington*”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico (the “*Debtors*” or the “*Board*”), hereby serves this Twelfth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey Washington provided during the month of December 2018 (the “*Fee Period*”) pursuant to the “Commonwealth Title III Support” Scope of Work of the consulting agreement between McKinsey Washington and the Board for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “*Consulting Agreement*”), attached hereto as Exhibit A. Pursuant to the *Interim Compensation Procedures*, a Certification of Tyler Duvall, a Partner of McKinsey Washington, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the Board, authorizing the submission of this Twelfth Monthly Fee Statement, is attached as Exhibit C.
2. By this Twelfth Monthly Fee Statement: Commonwealth Title III Support, McKinsey Washington seeks allowance of compensation for services rendered under the Consulting

Agreement during the Fee Period in the amount of \$1,275,750.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Order).

Summary of Services Rendered During the Fee Period

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Consulting Agreement Commonwealth Title III Support.⁴
4. Included at Exhibit D is a detailed description of McKinsey Washington's scope of services, deliverables and team member activities, pursuant to the Commonwealth Title III Support Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice⁵ for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Commonwealth Title III Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$1,417,500.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$1,275,750.00).
6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.

⁴ McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

⁵ The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey Washington has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey Washington is consistent with the terms of the Consulting Agreement.

7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

Representations

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Twelfth Monthly Fee Statement: Commonwealth Title III Support due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Interim Compensation Procedures.

Notice

10. Notice of this Twelfth Monthly Fee Statement: Commonwealth Title III Support has been or will be provided by overnight delivery or e-mail to:
 - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison

- Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
 - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
 - iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantoni Muñiz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmarini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
 - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
 - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
 - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (aañeses@cstlawpr.com);
 - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteege@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);
 - ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequeira, Esq. (ajb@bennazar.org);
 - x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central

Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Francisco.Pena@hacienda.pr.gov);

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$1,275,750.00 representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: March 8, 2019
McKinsey & Company, Inc. Washington DC
Washington DC

s/Tyler Duvall

Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC
1200 19th St NW #1000
Washington, DC 20036
Telephone: (202) 662-3100
Email: Tyler_Duvall@McKinsey.com

Strategic Consultant to the Debtors

EXHIBIT A

***Consulting Services Agreement
Between McKinsey Washington and the Board
In Support of the Title III Litigation
(entered in on or about and July 3, 2017, Amendment No. 1 effective
November 1, 2017, Amendment No. 2 effective April 1, 2018)
(the “Consulting Agreement”)
Statement of Work for Commonwealth Title III Support***

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and **The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES**. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION**. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY**. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY**. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF McKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. **AUTHORITY OF THE BOARD.** The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

9. **CONFLICTS OF INTEREST.** The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

10. **TERM AND TERMINATION.** This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. **MISCELLANEOUS.** This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico McKinsey & Company, Inc., Washington D.C.
(Client)



Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017



Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.

The Financial Oversight and Management Board
For Puerto Rico


Name: Natalie A. Jaresko
Title: Executive Director
Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duval
Title: Principal
Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. *Measure:*

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. *Baseline and Macro:*

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. *Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:*

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the “Second Amendment”) effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. (“McKinsey”) and The Financial Oversight and Management Board for Puerto Rico (the “Board” or the “Client”) (together, the “Parties”).

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the “Consulting Agreement”) for strategic consulting support related to Commonwealth Title III Support (the “Services”); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the “First Amendment”); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

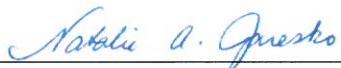
For both “Commonwealth Title III Support” and “Title III Support for HTA”, the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for “Commonwealth Title III Support” is reflected in the “Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support”, attached hereto; and the scope of services for “Title III Support for HTA” is reflected in the “Second Amended Attachment 3 Scope of Work for Title III Support for HTA”, attached hereto. For the avoidance of confusion, “Title III Support for PREPA”, as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**



Name: Natalie A. Jaresko
Title: Executive Director

McKinsey & Company, Inc., Washington D.C.



Name: Tyler Duvall
Title Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT B

Certification of McKinsey Washington Partner Tyler Duvall

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

-----x

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.

-----x

CERTIFICATION OF TYLER DUVALL

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have personally performed many of the professional services rendered by McKinsey Washington as strategic consultant to the Debtors and am familiar with all other work performed on behalf of the Debtors by the Partners, Associates, and other persons in the Firm;
3. The facts set forth in the foregoing Twelfth Monthly Fee Statement: Commonwealth Title III Support are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Twelfth Monthly Fee Statement: Commonwealth Title III Support complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:

- i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
- ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;
- iii. The amount of this invoice is reasonable;

- iv. The services were rendered, and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 8, 2019
Washington, DC

s/Tyler Duvall

Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC

EXHIBIT C

Certification of FOMB Executive Director Natalie Jaresko

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.

(Jointly Administered)

Debtors.

**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S
MONTHLY FEE STATEMENTS FOR THE MONTH OF DECEMBER 2018**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight and Management Board for Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in December 2018 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of December 2018, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: March 6, 2019



Natalie Jaresko, Executive Director
The Financial Oversight and
Management Board for Puerto Rico

EXHIBIT D

Title III Support for Commonwealth

December 2018

Summary of Work

The scope of McKinsey Washington's services and deliverables related to Commonwealth Title III in December 2018 involved engaging with the Government and Board advisors to support translation of the October Fiscal Plan into the FY19 budget, defining the FY20 budget approach in collaboration with Board advisor Ernst & Young, and responding to *ad hoc* requests. The team also supported the overall restructuring process by leading informative sessions with union stakeholders, refining the Best Interest Analysis, finalizing the FY18 implied surplus analysis, responding to creditor requests, and analyzing the Government's FY19 TSA Liquidity Plan.

The team developed analyses to explain the rationale for changes in the Certified Fiscal Plan and analyzed the implications of those changes on agency budgets. The team also created analyses that were used as the starting point to translate certain Fiscal Plan adjustments, such as those related to agency-specific baseline requests, reapportionments, and utilities updates, into agencies' FY19 budgets.

In addition, in collaboration with Ernst & Young, our team reviewed budgeting best practices and defined an approach to the FY20 budget process that will drive further transparency and clarity around government spending on different fronts. First, our team analyzed the FY20 budget timeline and the Fiscal Plan re-certification timeline to develop a process that encourages agencies to provide their input on time for both the budget and Fiscal Plan processes. Second, our team identified opportunities to enforce existing Fiscal Plan agency efficiency measures through granular data requirements and enhanced budget control language.

In the restructuring process, the team developed materials to support the Board in its engagement with union stakeholders to explain the rationale for proposed agency efficiencies and other fiscal measures, as well as the impact of pension projection updates. In addition, the team started preparing responses to an information request received from Perella Weinberg, advisor to a group of GO creditors.

The team also refined the assumptions informing the Best Interest Analysis, as required by the PROMESA statute. The team updated the Best Interest Analysis model based on guidance received from other Board advisors. The team also finalized the FY18 implied cash surplus analysis and presented the analysis to creditors. In addition, the team collected documents and drafted responses for Board counsel to produce necessary responses to litigation as part of the GO Rule 2004 dispute.

Finally, the team began analyzing the Government's FY19 TSA Liquidity Plan, assessing a) historical seasonality, b) net cashflow in 1H19 vs. 2H19 and 3) FY19 Liquidity Plan surplus vs. FY19 Fiscal Plan surplus.

McKinsey Washington's Commonwealth Title III Team Detailed Activities by Deliverable:

- Supported the translation of the updated Fiscal Plan into the FY19 budget
 - Analyzed implications of general updates of October Fiscal Plan on FY19 and FY20 budgets in collaboration with Board's lead budget advisor Ernst & Young and Board staff
 - Supported the integration of certain Fiscal Plan adjustments (e.g., agency-specific baseline requests, reapportionments, utilities updates) into FY19 agency budgets
 - Developed materials to assist the Board with its response to agency communications related to their FY19 budgets by explaining the impact of the Fiscal Plan on agency budget allocations
- Reviewed budgeting best practices and defined an approach to the FY20 budget process in collaboration with Ernst & Young
 - Identified clear roles and responsibilities for the Board, Board advisors, and Government agencies throughout the budgeting process to ensure transparency and clarity
 - Recommended changes to Fiscal Plan re-certification and budget timelines to ensure data from agencies is better incorporated into Fiscal Plan and budget processes
 - Defined more granular data requirements and enhanced budget control language in the budget process to drive increased visibility and control over implementation of Fiscal Plan agency efficiencies targets
 - Identified additional areas of opportunity across agencies to drive increased efficiency for FY20 agency budgets
- Developed analysis used in materials to communicate updates on pension projections and agency efficiencies measures
 - Analyzed the impact of revised pension projections on the Fiscal Plan
 - Prepared analysis of the implications of agency efficiencies measures on agency headcount
 - Developed analysis used by the Board in its engagement with union stakeholders to explain the impact of revised pension projections and agency efficiencies measures on Fiscal Plan
- Further refined the preliminary Best Interest Analysis
- Finalized the FY18 implied cash surplus analysis
 - Presented analysis of the FY18 implied cash surplus to creditors
- Conducted further analysis on the FY19 TSA Liquidity Plan

- Analyzed the proposed FY19 TSA Liquidity Plan for consistency with documents certified by the Board (e.g., Fiscal Plan, Certified Budget) in collaboration with the Government's advisors
- Supported Board staff in developing responses to *ad hoc* requests and questions related to certification of the Fiscal Plan and budget
 - Prepared responses to creditor group questions on the detailed assumptions within the agency efficiencies model
 - Prepared responses to GO Rule 2004 document production requests in coordination with FOMB counsel
 - Started preparing responses to an information request received from Perella Weinberg, advisor to a group of GO creditors
 - Assisted with responses to *ad hoc* requests related to budget from the Board and its advisors

McKinsey Washington's Commonwealth Title III Team Detail and Contributions

The McKinsey team was led by Bertil Chappuis, Kevin Carmody, Thomas Dohrmann, Tyler Duvall, Jonathan Davis and Ojas Shah, who provided overall strategic guidance, expert input and coordination, as well as Associate Partners (Sara O'Rourke and Todd Wintner), who provided direction to the working team, expert input and stakeholder management. The working team consisted of a full-time Engagement Manager (Steven Van Camp), a full-time Associate (Isabella Bennett) and 4 full-time Analysts (Anja Nilsson, Nikhil George, Andrew Wei, and Tanner Snider).

- Bertil Chappuis (Senior Partner – part time – overall strategic direction)
 - Provided overall quality control on team content
 - Responsible for relationships with key stakeholders, including Board, Board staff, and co-advisors
 - Participated in Board meetings and sessions to review technical adjustments for the Commonwealth Fiscal Plan and to analyze implications of general updates on FY19 budget
 - Provided quality control on recommendations regarding Board's future strategy for budgeting agency
 - Participated in strategic discussion on the Best Interest Analysis and the cash analyses (e.g., cash surplus analysis and liquidity plan review)
- Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring)
 - Participated in meetings with advisors and team working sessions related to the Best Interest Analysis
 - Provided quality control on various team workstreams, mostly related to Restructuring topics

- Reviewed the draft implied cash surplus analyses and provided input for the presentation with creditors
- Provided strategic thought leadership in preparation of the responses to the GO Rule 2004 Dispute
- Thomas Dohrmann (Senior Partner – part time – overall strategic direction)
 - Participated in select Board sessions and FOMB meetings discussing Fiscal Plan technical adjustments and implications for FY19/FY20 Budget
 - Participated in team working sessions related to the Fiscal Plan and translation into Budget, as well as in sessions related to Best Interest Analysis
- Tyler Duvall (Partner – part time – overall strategic direction)
 - Provided overall leadership across all aspects of the Fiscal Plan, the Budget and the Restructuring
 - Participated in working sessions relating to all major areas of analysis, ensuring consistency, pressure testing assumptions, and framing decisions for Board
 - Led team's participation in Board working sessions, specifically related to Commonwealth Fiscal Plan, Budget and Best Interest Analysis
 - Provided expertise on translation of the Fiscal Plan updates into the FY19 Budget, as well as on the Board's future strategy regarding agency budgeting
 - Conducted review sessions and provided feedback on Restructuring related topics such as Best Interest Analysis and Implied Cash Surplus analyses
 - Provided regular counsel directly to senior leadership team of FOMB on a wide range of topics related to the Fiscal Plan and Implementation
- Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms)
 - Provided subject matter expertise on revenue topics related to Best Interest Analysis
 - Provided guidance and subject matter expertise in translating fiscal plan content into implementation monitoring
 - Provided guidance and subject matter expertise in analyzing updated information on disaster recovery spending, macroeconomic indicators, to determine implications for the fiscal plan
 - Provided guidance and subject matter expertise related to creditor information requests
- Ojas Shah (Partner – part time – content director on Fiscal Plan expenditures and restructuring)
 - Provided overall leadership across all aspects related to Restructuring topics
 - Participated in several working sessions with McKinsey team to assess implications of the Fiscal Plan update for the FY19/ FY20 Budget
 - Conducted review sessions and provided feedback on Implied Cash Surplus analysis

- Participated in working sessions with team and counsel and provided expertise and thought leadership on Best Interest Analysis
- Participated in discussions with counsel and reviewed materials assembled at the request of counsel related to litigation matters
- Participated in Board and advisors calls to provide updates regarding Title III and Fiscal Plan related analyses
- Todd Wintner (Associate Partner – part time – content director on healthcare and education)
 - Directed work on all matters related to healthcare including refining projections to incorporate deepening understanding of federal funding streams and other auxiliary revenues (e.g., updates to federal fund accounts)
 - Provided guidance and quality control on technical adjustments on healthcare federal funding streams
 - Provided subject matter expertise on healthcare measures implemented in other geographies
- Sara O'Rourke (Associate Partner – full time – Fiscal Plan & integrating engagement director)
 - Provided overall guidance and quality control on Board materials and briefing documents related to the Commonwealth Fiscal Plan and translation to budget
 - Provided overall guidance and content control for responses to questions from the Government about the Certified Fiscal Plan, and communications related to the FY19 Budget
 - Provided expertise on translation of the Fiscal Plan updates into the FY19 Budget, as well as on the Board's future strategy regarding agency budgeting for FY20
 - Led work across Board advisor teams, as well as in collaboration with Government, to launch relevant data requests and analyses related to new data
 - Served as integrator across all Fiscal Plan teams to ensure consistency
- Steven Van Camp (Engagement Manager – full time – integrating engagement manager)
 - Supported meetings with FOMB advisors and team working sessions to refine the Best Interest Analysis
 - Participated in working sessions to refine the FY18 implied cash surplus analysis and prepare for presentation to creditors
 - Participated in working sessions with the Government's advisors to pressure-test the FY19 TSA Liquidity Plan for consistency with Board-certified documents
 - Supported discussions with the FOMB to review interim analyses related to the Best Interest Analysis and FY19 Liquidity Plan
 - Prepared document production related to the GO Rule 2004 dispute with FOMB's legal advisors

- Prepared responses to mediation request by Perella Weinberg, an advisor to a group of GO creditors
- Isabella Bennett (Associate – full time – focused on restructuring, pensions, and healthcare)
 - Built and iterated the Best Interest Test model, and supported iteration and legal research with external legal counsel
 - Provided support for integration and interpretation of impact on the FY19 Budget from updates to the Fiscal Plan
 - Responded to extensive production requests from creditors as part of the GO Rule 2004 dispute by coordinating across past and present team members, and internal and external legal counsel
 - Supported *ad hoc* analysis for the Board, such as analyzing legislation proposing updates to municipal appropriations for compliance with the Fiscal Plan
- Anja Nilsson (Analyst – full time – focused on fiscal plan expenditures, rightsizing, and budget)
 - Worked in the development of FY2020 budget process to incorporate fiscal plan certification milestones together with EY and FOMB
 - Supported Board response on government communications related to translating the Certified Fiscal Plan to their FY19 budget
 - Created analysis on implications of general updates on Certified Fiscal Plan for overall FY19 budget
 - Led development of tracker of macroeconomic indicators for Fiscal Plan updates
 - Developed *ad hoc* analysis requested by the FOMB related to the Fiscal Plan and budget
- Nikhil George (Analyst – full time – focused on fiscal plan expenditures, rightsizing, and budget)
 - Created analysis to show high-level impact of personnel rightsizing measures across multiple agencies to inform Board's discussion with Government stakeholders
 - Conducted analysis on the impact of current and newly proposed Government legislation on the expenditure baseline for the Certified Fiscal Plan
 - Developed updated process for the FY20 budget timing and cadence with Government agencies to improve the efficiency and effectiveness of the budget process
 - Gathered benchmarks on Puerto Rico's government services across multiple categories
- Andrew Wei (Analyst – full time – focused on restructuring, expenditures, and IFCUs)
 - Finalized the FY18 implied cash surplus analysis and prepared presentation materials to share with creditors
 - Facilitated the compilation of identified technical adjustments across team members to be incorporated into the Certified Fiscal Plan
 - Analyzed agency reapportionment requests (e.g., PRTC, DDEC) to verify their compliance with Certified Fiscal Plan

- Participated in working sessions with the Board’s advisors on topics pertaining to the Best Interest Analysis
- Worked with the Government’s advisors to analyze the proposed FY19 Liquidity Plan for consistency with documents certified by the Board (e.g., Fiscal Plan, Certified Budget)
- Analyzed proposed legislation to determine its potential impact on Certified Fiscal Plan projections
- Tanner Snider (Analyst – full time – focused on rightsizing and budget)
 - Prepared responses to creditor group questions on the detailed assumptions within the government agency efficiencies model
 - Conducted analysis on the impact of current and newly proposed Government legislation on the expenditure baseline for the October Certified Fiscal Plan
 - Developed updated process for the FY20 budget timing and cadence with Government agencies to improve the efficiency and effectiveness of the budget process
 - Gathered benchmarks on Puerto Rico’s government services across multiple categories

EXHIBIT E

December 2018 Invoice

McKinsey&Company

The Financial Oversight and
Management Board for Puerto Rico
PO Box 195556
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant
accountspayable@promesa.gov

Invoice No: USG-7453QK-5525R

Consulting Agreement
Client for Strategic Consulting support related to
the Title III Cases
Effective Agreement Date: November 1, 2017
Amendment Date: April 1, 2018

Invoice Date: 01/31/2019

Net 30

FFP Payment Schedule for Commonwealth Services

Invoice PoP: December 1, 2018 – December 31, 2018

Gross invoice amount for services performed outside Puerto Rico:	\$	787,273.11
Gross invoice amount for services performed in Puerto Rico:	\$	887,643.51
Subtotal	\$	1,674,916.62
Less withholding tax deducted at source	\$	(257,416.62)
Net Invoice Payable:	\$	1,417,500.00

Total Invoice: \$1,417,500.00

McKinsey reserves the right to reissue an invoice to account for changes in applicable taxes.

Please wire transfer payment to:
McKinsey & Company, Inc.
Citibank N.A.
Bank Account Number: 30420698
Bank ABA Routing Number: 021000089

If remitting by check please send check to:
McKinsey & Company, Inc.
P.O. Box 7247-7255
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

Please reference the invoice number and invoice date on your remittance advice.

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.¹

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**THIRTEENTH MONTHLY FEE STATEMENT OF MCKINSEY & COMPANY, INC.
WASHINGTON D.C. FOR COMPENSATION FOR SERVICES RENDERED TO THE
FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO, AS
REPRESENTATIVE OF DEBTORS, THE COMMONWEALTH OF PUERTO RICO
FOR THE PERIOD JANUARY 1, 2019 THROUGH JANUARY 31, 2019**

Name of Professional: McKinsey & Company, Inc. Washington D.C.
(“McKinsey Washington”)

Authorized to Provide Services to: The Financial Oversight and Management Board for
Puerto Rico, as Representative of the Debtors
Pursuant to PROMESA Section 315(b)

Period for which compensation
and reimbursement is sought: January 1, 2019 – January 31, 2019

Amount of compensation sought
as actual, reasonable and necessary: \$1,417,500.00

Amount of expense reimbursement sought
sought as actual, reasonable and necessary²: \$0.00

Type of Fee Statement: Thirteenth Monthly Fee Statement:
Commonwealth Title III Support³

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); and (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

² McKinsey Washington provides services on a fixed fee basis, and as such, seeks no reimbursement of expenses.

³ Notice of this Thirteenth Monthly Fee Statement (as defined herein) has been served in accordance with the Interim Compensation Procedures (as defined herein) and objections to payment of the amounts described in this Thirteenth Monthly Fee Statement shall be addressed in accordance with the Interim Compensation Procedures.

1. Pursuant to the *Interim Compensation Procedures*, first entered by the Court on November 8, 2017 [*First Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 1715] and amended on June 6, 2018 [*Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals*, Docket Number 3269] (the “*Interim Compensation Procedures*”), the applicable provisions of the United States Code (the “*Bankruptcy Code*”), the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”), and the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Puerto Rico (the “*Local Rules*”), McKinsey & Company, Inc. Washington DC (“*McKinsey Washington*”), strategic consultants to The Financial Oversight And Management Board For Puerto Rico (the “*Debtors*” or the “*Board*”), hereby serves this Thirteenth Monthly Fee Statement for the allowance of compensation for reasonable and necessary strategic consulting services and support that McKinsey Washington provided during the month of January 2019 (the “*Fee Period*”) pursuant to the “*Commonwealth Title III Support*” Scope of Work of the consulting agreement between McKinsey Washington and the Board for consulting services in support of the Title III litigation (Contract dated July 3, 2017, with Amendment No. 1 effective November 1, 2017 and Amendment No. 2 effective April 1, 2018) (the “*Consulting Agreement*”), attached hereto as Exhibit A. Pursuant to the *Interim Compensation Procedures*, a Certification of Tyler Duvall, a Partner of *McKinsey Washington*, regarding compliance with the statutory and legal authority cited above is attached hereto as Exhibit B, and a Certification of Natalie Jaresko, Executive Director of the Board, authorizing the submission of this Thirteenth Monthly Fee Statement, is attached as Exhibit C.
2. By this Thirteenth Monthly Fee Statement: Commonwealth Title III Support, *McKinsey Washington* seeks allowance of compensation for services rendered under the Consulting

Agreement during the Fee Period in the amount of \$1,275,750.00 (which equals 90% of the compensation sought herein, in accordance with Section 2.c of the Interim Compensation Order).

Summary of Services Rendered During the Fee Period

3. During the Fee Period, McKinsey Washington provided a focused range of professional services as requested by the Board and reflected in the Consulting Agreement Scope of Work for Consulting Agreement Commonwealth Title III Support.⁴
4. Included at Exhibit D is a detailed description of McKinsey Washington's scope of services, deliverables and team member activities, pursuant to the Commonwealth Title III Support Scope of Work during the Fee Period. Exhibit D also specifically identifies the McKinsey Washington team members who performed services during the Fee Period.
5. Included at Exhibit E is a copy of McKinsey Washington's monthly invoice⁵ for fees incurred during the Fee Period pursuant to the Consulting Agreement in support of the Commonwealth Title III Scope of Work. As reflected in Exhibit E, McKinsey Washington incurred \$1,417,500.00 in fees during the Fee Period, and now seeks reimbursement for 90% of such fees (\$1,275,750.00).
6. McKinsey Washington's fees – as agreed-upon in the Consulting Agreement and reflected in the invoice – are based on the usual and customary fees McKinsey Washington charges to clients and are commensurate with the services performed.

⁴ McKinsey Washington is simultaneously serving separate monthly fee statements for services rendered pursuant to the other two (2) Scopes of Work under the Consulting Agreement.

⁵ The invoice included at Exhibit E reflects Puerto Rico withholding tax (29%), which is applicable to payments for services performed in Puerto Rico. In accordance with the terms of the Consulting Agreement, McKinsey Washington has calculated the proportion of fees attributable to work performed in Puerto Rico and determined the applicable tax to be withheld by the client for payment to the Puerto Rico tax authorities. The net amount reflected on the invoice to be collected by McKinsey Washington is consistent with the terms of the Consulting Agreement.

7. The efforts expended by McKinsey Washington during the Fee Period have been commensurate with the size and complexity of these cases. In rendering these services, McKinsey Washington has made every effort to maximize the benefit to the Debtors, to work efficiently with the other professionals employed in these cases, and to leverage staff appropriately in order to minimize duplication of effort.
8. McKinsey Washington respectfully submits that the amounts applied for herein for professional services rendered on behalf of the Board in these cases to date are fair and reasonable given: (a) the time expended; (b) the nature and extent of the services performed at the time at which such services were rendered; and (c) the value of such services.

Representations

9. While every effort has been made to include all fees incurred by McKinsey Washington during the Fee Period, some fees may not be included in this Thirteenth Monthly Fee Statement: Commonwealth Title III Support due to certain unavoidable delays caused by accounting and processing during the Fee Period. McKinsey Washington reserves the right to make further application(s) for allowance of such fees not included herein. Subsequent fee statements and applications will be filed in accordance with the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and the Interim Compensation Procedures.

Notice

10. Notice of this Thirteenth Monthly Fee Statement: Commonwealth Title III Support has been or will be provided by overnight delivery or e-mail to:
 - i. attorneys for the Oversight Board, Proskauer Rose LLP, Eleven Times Square, New York, NY 10036, Attn: Martin J. Bienenstock, Esq. (mbienenstock@proskauer.com) and Ehud Barak, Esq. (ebarak@proskauer.com), and Proskauer Rose LLP, 70 West Madison

- Street, Chicago, IL 60602, Attn: Paul V. Possinger, Esq. (ppossinger@proskauer.com);
- ii. attorneys for the Oversight Board, O'Neill & Borges LLC, 250 Muñoz Rivera Ave., Suite 800, San Juan, PR 00918, Attn: Hermann D. Bauer, Esq. (hermann.bauer@oneillborges.com);
 - iii. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, O'Melveny & Myers LLP, Times Square Tower, 7 Times Square, New York, NY 10036, Attn: John J. Rapisardi, Esq. (jrapisardi@omm.com), Suzanne Uhland, Esq. (suhland@omm.com), and Diana M. Perez, Esq. (dperez@omm.com);
 - iv. attorneys for the Puerto Rico Fiscal Agency and Financial Advisory Authority, Marini Pietrantoni Muñiz LLC, MCS Plaza, Suite 500, 255 Ponce de León Ave, San Juan, PR 00917, Attn: Luis C. Marini-Biaggi, Esq. (lmarini@mpmlawpr.com) and Carolina Velaz-Rivero Esq. (cvelaz@mpmlawpr.com);
 - v. the Office of the United States Trustee for the District of Puerto Rico, Edificio Ochoa, 500 Tanca Street, Suite 301, San Juan, PR 00901 (re: In re: Commonwealth of Puerto Rico);
 - vi. attorneys for the Official Committee of Unsecured Creditors, Paul Hastings LLP, 200 Park Ave., New York, NY 10166, Attn: Luc. A Despins, Esq. (lucdespins@paulhastings.com);
 - vii. attorneys for the Official Committee of Unsecured Creditors, Casillas, Santiago & Torres LLC, El Caribe Office Building, 53 Palmeras Street, Ste. 1601, San Juan, PR 00901, Attn: Juan J. Casillas Ayala, Esq. (jcasillas@cstlawpr.com) and Alberto J.E. Añeses Negrón, Esq. (aañeses@cstlawpr.com);
 - viii. attorneys for the Official Committee of Retired Employees, Jenner & Block LLP, 919 Third Ave., New York, NY 10022, Attn: Robert Gordon, Esq. (rgordon@jenner.com) and Richard Levin, Esq. (rlevin@jenner.com), and Jenner & Block LLP, 353 N. Clark Street, Chicago, IL 60654, Attn: Catherine Steege, Esq. (csteege@jenner.com) and Melissa Root, Esq. (mroot@jenner.com);
 - ix. attorneys for the Official Committee of Retired Employees, Bennazar, García & Milián, C.S.P., Edificio Union Plaza, PH-A, 416 Ave. Ponce de León, Hato Rey, PR 00918, Attn: A.J. Bennazar-Zequera, Esq. (ajb@bennazar.org);
 - x. the Puerto Rico Department of Treasury, PO Box 9024140, San Juan, PR 00902-4140, Attn: Reylam Guerra Goderich, Deputy Assistant of Central

Accounting (Reylam.Guerra@hacienda.pr.gov); Omar E. Rodríguez Pérez, CPA, Assistant Secretary of Central Accounting (Rodriguez.Omar@hacienda.pr.gov); Angel L. Pantoja Rodríguez, Deputy Assistant Secretary of Internal Revenue and Tax Policy (angel.pantoja@hacienda.pr.gov); Francisco Parés Alicea, Assistant Secretary of Internal Revenue and Tax Policy (francisco.pares@hacienda.pr.gov); and Francisco Peña Montañez, CPA, Assistant Secretary of the Treasury (Francisco.Pena@hacienda.pr.gov);

- xi. attorneys for the Fee Examiner, EDGE Legal Strategies, PSC, 252 Ponce de León Avenue, Citibank Tower, 12th Floor, San Juan, PR 00918, Attn: Eyck O. Lugo (elugo@edgelegalpr.com); and
- xii. attorneys for the Fee Examiner, Godfrey & Kahn, S.C., One East Main Street, Suite 500, Madison, WI 53703, Attn: Katherine Stadler (KStadler@gklaw.com).

WHEREFORE, McKinsey Washington respectfully requests payment by the Debtors of \$1,275,750.00 representing 90% of its fees incurred during the Fee Period and requested herein.

Dated: March 8, 2019
McKinsey & Company, Inc. Washington DC
Washington DC

s/Tyler Duvall

Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC
1200 19th St NW #1000
Washington, DC 20036
Telephone: (202) 662-3100
Email: Tyler_Duvall@McKinsey.com

Strategic Consultant to the Debtors

EXHIBIT A

***Consulting Services Agreement
Between McKinsey Washington and the Board
In Support of the Title III Litigation
(entered in on or about and July 3, 2017, Amendment No. 1 effective
November 1, 2017, Amendment No. 2 effective April 1, 2018)
(the “Consulting Agreement”)
Statement of Work for Commonwealth Title III Support***

PROPRIETARY and CONFIDENTIAL

CONSULTING AGREEMENT

McKinsey & Company, Inc. Washington D.C. ("McKinsey") and **The Financial Oversight and Management Board for Puerto Rico** (the "Board" or the "Client") hereby enter into the following terms effective July 3, 2017 in connection with consulting services that McKinsey provides to Client for Strategic Consulting support related to the Title III Litigation(the "Services").

1. **SERVICES**. The working arrangements, including scope of the Services and Deliverables (as defined below) will be described in each mutually-executed Scope of Work, attached hereto as individual Attachments and incorporated herein, and cannot be materially amended without mutual agreement of the Parties. In order to be able to complete the Services within the agreed timeframe and budget and to fulfill its responsibilities on a timely basis, McKinsey will rely on the Client's timely cooperation, including the Client and the Government of Puerto Rico's making available relevant data, information and personnel, performing any tasks or responsibilities assigned to the Client or the Government of Puerto Rico and notifying McKinsey of any issues or concerns the Client may have relating to the Services. The Client is solely responsible for ensuring that the Government of Puerto Rico cooperates with responding to requests for purposes of the Services. The parties will meet at mutually agreed times to discuss the progress of the Services and to exchange feedback. During the course of the Services, priorities may shift or unexpected events may occur which may necessitate changes to the Services. In this event, the parties will jointly discuss the anticipated impact on the Services and agree on any appropriate adjustments, including to the scope of work, timeframe and budget.

2. **COMPENSATION**. The Client shall compensate McKinsey on a Firm Fixed Price basis in connection with the Services, as set forth in the Attachments. Any payments made by the Board to McKinsey hereunder are expressed net of any deductions or withholdings that may be applicable in respect of taxes, duties or levies and the Client will pay those amounts to McKinsey, in cleared funds. The parties agree that McKinsey is solely responsible for any applicable withholding and payment of taxes with respect to McKinsey Personnel as required by law. Neither party undertakes, pursuant to his Agreement or otherwise, to perform or discharge any liability or obligation of the other party, whether regulatory or contractual, or to assume any responsibility whatsoever for the conduct of the business or operations of the other party. Consistent with the public purpose of the Client's mandate, this Agreement will be made publicly available subject to Section 5 below. McKinsey will invoice the Client for Deliverables in connection with the Services monthly or as otherwise set forth in the applicable Proposal. Except for Services provided under retainer, all invoices are to be paid in accordance with the court order setting procedures for interim compensation and reimbursement of professionals.

3. **CONFIDENTIALITY**. Subject to applicable public disclosure laws and the disclosure procedures established by Client that do not otherwise conflict with terms in this agreement, each Party agrees to keep confidential any confidential information furnished by either Party in connection with the Services ("Confidential Information"); provided, however, that the Client may disclose Confidential Information from McKinsey as necessary or desirable to carry out its statutory duties. The Client agrees to provide McKinsey prior notice of its intent to disclose Confidential Information from McKinsey. Without the Client's explicit consent, McKinsey will disclose Confidential Information only to its employees, agents and contractors who have a need to know and are bound to keep it confidential and will use Confidential Information only for purposes of performing the Services. Confidential Information shall be all information other than information that is (i) or becomes publicly available other than as a result of a breach of this agreement, (ii) already known to the Receiving Party, (iii) independently acquired or developed by the Receiving Party without violating any of its obligations under this agreement, or (iv) is legally required to be disclosed. All documents supplied by the Receiving Party Client in connection with the services hereunder will, upon written request, be returned by the Receiving Party to the Disclosing Party or destroyed, provided that the Receiving Party may retain a copy for archival purposes. In performing the Services, McKinsey will use and rely primarily on the Confidential Information and on information available from public sources without having independently verified the same and does not assume responsibility for the accuracy or completeness of the Confidential Information or such other publicly available information and Section 5 herein.

4. **INTELLECTUAL PROPERTY**. Upon payment in full of McKinsey's Fees associated with the relevant Services, the Client will own all reports, financial models and other deliverables prepared for and furnished to the Client by McKinsey in connection with the Services (the "Deliverables"), save that McKinsey retains ownership of all concepts, know-how, tools, frameworks, models, and industry perspectives developed or enhanced outside of or in connection with the Services (the "McKinsey Tools"), it being understood that none of the McKinsey Tools will contain the Client's

Confidential Information. To the extent the Deliverables include any McKinsey Tools, McKinsey hereby grants the Client a non-exclusive, non-transferable, non-sublicenseable, worldwide, royalty-free license to use and copy the McKinsey Tools solely as part of the Deliverables and subject to the limitations herein on disclosure of McKinsey materials and publicity.

5. DISCLOSURE OF McKINSEY MATERIALS; PUBLICITY. McKinsey's work for the Client is confidential and for the Client's internal use only; provided, however, the Client may disclose such work to the extent such disclosure is necessary or desirable to carrying out the Client's statutory duties. The Client agrees that it will not disclose McKinsey's name in relation to any disclosure of work hereunder without McKinsey's consent. McKinsey will not disclose the Deliverables to any third parties (including any non-voting Board members) without the Client's prior written permission. McKinsey further agrees not to use the Client's name in any communication with any third party without the other party's prior written permission, including in press releases or other public announcements. If the Client receives a public records request for Deliverables or other documents containing McKinsey information, the Client will allow McKinsey the ability to review the documents prior to disclosure to advise if the documents contain information subject to an exception or exemption to the relevant public records law.

6. SERVING COMPETITORS. It is McKinsey's long-standing policy to serve competing clients and clients with potentially conflicting interests as well as counter-parties in merger, acquisition and alliance opportunities, and to do so without compromising McKinsey's professional responsibility to maintain the confidentiality of client information. Consistent with such practice and McKinsey's confidentiality obligations to its other clients, McKinsey is not able to advise or consult with the Client about McKinsey's serving the Client's competitors or other parties. To avoid situations of potential conflict, McKinsey will not, for a period of one year following an engagement for the Client, assign any consultant who receives Confidential Information in connection with such engagement to a competitively sensitive project, including a directly-conflicting engagement with the Government of Puerto Rico. Notwithstanding the foregoing, the Client understands and agrees that so long as McKinsey has appropriate procedures in place to mitigate any potential conflict, it may serve the Government of Puerto Rico on related matters.

7. INDEMNIFICATION.

(a) Deliverables produced hereunder are not intended as a substitute for financial, investment, legal, accounting or other professional advice, and McKinsey does not intend to supplant the Client or the Government of Puerto Rico's management or other decision-making bodies.

(b) The Client and the Government of Puerto Rico remain solely responsible for its decisions, actions, use of the Deliverables and compliance with applicable laws, rules and regulations. McKinsey agrees to indemnify and hold the Client harmless from and against all loss, liability, damage, cost, or expense (including reasonable attorney fees) ("Losses") to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(c) The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) relating to the Services (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services), except to the extent those Losses are determined by a final, non-appealable order or arbitral award to have resulted from McKinsey's gross negligence or willful misconduct in the performance of the Services.

(d) The Client further indemnifies McKinsey, including any member, officer or employee thereof including but not limited to the Revitalization Coordination role, in any instance where it is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, against judgments, fines, amounts paid in settlement and expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with such action, suit or proceeding, unless it acted with bad faith or engaged in intentional misconduct and, with respect to any criminal action or proceeding, unless it knew or should have known the conduct was unlawful. The termination of any act, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that McKinsey (or any of its members, officers or employees) did not satisfy these standards.

Neither party will be liable for any lost profits or other indirect, consequential, incidental, punitive or special damages. In no event shall McKinsey's liability to the Client in connection with the Services relating to an engagement for the Client exceed the amount paid to McKinsey by the Client in connection with such engagement.

8. **AUTHORITY OF THE BOARD.** The Client represents and warrants it has the authority to enter into this Agreement for the Services. In the event that it is determined that the Client did not have authority to authorize all or part of this agreement, McKinsey may make the sole determination as to whether to terminate the Agreement according to Section 10 herein, or continue with those parts of the Services for which the Client does have authority. The Client agrees to indemnify and hold McKinsey harmless from any Losses (including the costs of McKinsey's professional time) resulting from a breach of this Section 8 and/or a misrepresentation by the Client of authority to act (including any Losses asserted by the Client, its agents or representatives, or third parties and any Losses sustained by McKinsey when participating in any legal, regulatory, or administrative proceeding relating to the Services).

9. **CONFLICTS OF INTEREST.** The Client agrees that performance of Services hereunder shall not conflict McKinsey from serving the Government of Puerto Rico or any stakeholders to the work, subject to the restrictions in Section 6 – "Serving Competitors."

10. **TERM AND TERMINATION.** This agreement takes effect on the date the Services commenced and shall continue until terminated in accordance with its terms. Either party may terminate the Services at any time effective upon 30 days written notice to the other. In the event of any termination, the Client will pay McKinsey for the work completed up to the effective date of termination.

11. **MISCELLANEOUS.** This agreement and the Proposals constitute the entire agreement between the parties, and there are no prior or contemporaneous oral or written representations, understandings or agreements relating to this subject matter that are not fully expressed herein or therein. This agreement and the Proposals shall be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of law principles and shall inure to the benefit of and be binding on the successors and assigns of the Client and McKinsey. The following Sections shall survive the completion or any termination of the Services: 3 (Confidentiality), 4 (Intellectual Property), 5 (Disclosure of McKinsey Materials; Publicity), 6 (Serving Competitors), 7 (Indemnification), 8 (Term and Termination) and 9 (Miscellaneous) and any other provision which by law or by its nature should survive. Neither party may assign its rights or obligations under this agreement to any person or entity without the written consent of the other party, not to be unreasonably withheld, provided, however, that either party may assign its rights and obligations under this agreement to its affiliates upon reasonable written notice to the other party but without the written consent of the other party. Assignment shall not relieve either party of its obligations hereunder. McKinsey is an independent contractor and not the Client's agent or fiduciary. Notwithstanding any course of dealings of the parties at any time or any statement to the contrary contained therein, no purchase order, invoice or other similar document issued by a party shall be construed to modify the terms of this agreement. Rights and remedies provided in this agreement are cumulative and not exclusive of any right or remedy provided at law or in equity.

The Financial Oversight and Management Board for Puerto Rico McKinsey & Company, Inc., Washington D.C.
(Client)



Name: Natalie A. Jaresko
Title: Executive Director
Date: Sept. 12, 2017



Name: Tyler Duvall
Title: Partner
Date: September 8, 2017

ATTACHMENT 1
Scope of Work
For
Commonwealth Title III Support

Services:

In regards to support for the Commonwealth Title III proceedings to the Board to include:

Activities:

- Participation in and coordination of cross advisor meetings (Board, Commonwealth and/or Stakeholders) regarding Title III related matters
- Preparation of materials necessary for supporting Fiscal Plan litigation, which could include:
 - Assemble fact base regarding process for creation, stress testing and certification of the fiscal plan
 - Assemble fact base regarding additional analyses created for the FOMB with respect to evaluating/stress testing the FY18 fiscal plan
 - Collect and summarize key input sources and supporting analysis for key fiscal plan assumptions
 - Assemble fact base regarding process and supporting analysis used to identify and evaluate key measures proposed and finally included in the fiscal plan
 - Prepare and/or evaluate alternative fiscal plan scenario analyses in support of requested alternative contexts
 - Prepare analyses in support of litigation activities
- As needed, ad-hoc analyses and/or responses to questions regarding litigation or potential litigation relating to the Fiscal Plan or other Commonwealth Title III matters
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverable:

- Monthly report regarding liquidity performance and strategic choices on liquidity related to Title III proceedings and/or ad hoc analysis performed within that month.

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Commonwealth Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for PREPA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to PREPA, McKinsey will support the Board in the following ways:

1. Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for PREPA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the PREPA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead PREPA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with PREPA, AAFAF and its experts and advisors
- Develop transformation plan for PREPA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Detailed action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required (e.g. updated IRP for PREPA)
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board PREPA subcommittee to provide updates and take guidance on PREPA transformation and Title III
- Monitor implementation of all aspects of the PREPA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

- Conduct limited market engagement as necessary to identify potential privatization options for PREPA
- Lead development of an integrated resource plan for PREPA to support the Transformation Plan in coordination with PREC and PREPA
- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$740,000 per month and will continue so long as the Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

ATTACHMENT 2
Scope of Work
for
Title III Support for HTA

Services:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA

Activities:

The core activities include working directly with the Board, the Executive Director and Board Staff in the following areas (as well as ad hoc and as needed support):

- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III which includes but is not limited to:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance
- Support litigation related to the HTA proceedings, which has commenced

- As applicable to McKinsey's Services regarding FOMB fiscal plans and work relative to the Commonwealth and its instrumentalities, it is the expectation of McKinsey and the Board that as part of the Services McKinsey shall:
 - Provide expert testimony (at most 2 per quarter)
 - Participate in and/or assist the Board with mediation sessions and Board meetings or conferences, which may include presentations
 - Provide support at related stakeholder interactions, which may include presentations

Deliverables:

A monthly report describing progress against transformation objectives, as well as specific supporting analyses, including:

- Detailed action plans, including e.g. structural solutions, governance, likely economic impacts and operational stabilization
- Synopsis of market perspectives related to different potential options
- Integrated resource plan

Support Structure and Cost:

- The cost for this work will be \$720,000 per month and will continue so long as the HTA Title III process continues or the Board no longer believes the support is necessary.
- If additional deliverables are required by McKinsey beyond this core support, this contract will be amended to reflect any required support.

Payment Schedule

McKinsey will submit a Monthly Fee Statement for the deliverables provided on or before the 25th day of each calendar month.

**FIRST AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC AND
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS FIRST AMENDMENT to the Consulting Agreement (the "First Amendment") effective date of November 1, 2017 is entered into by and between McKinsey & Company, Inc. Washington D.C. ("McKinsey") and The Financial Oversight and Management Board for Puerto Rico (the "Board" or the "Client") (together, the "Parties").

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the "Consulting Agreement") for strategic consulting support related to Commonwealth Title III Support (the "Services"); and

WHEREAS, following Hurricanes Maria and Irma, the Parties wish to expand the scope of services under the Consulting Agreement to support the Board's in connection with the required re-construction of the fiscal plan post-Hurricane; and

WHEREAS, the Parties now desire to amend the Consulting Agreement to reflect the new understanding between the Parties as set forth below;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

"Attachment 1 Scope of Work for Commonwealth Title III Support" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 1 Scope of Work for Commonwealth Title III Support", attached hereto; and "Attachment 3 Scope of Work for Title III Support for HTA" of the Consulting Agreement is hereby replaced in its entirety with the "Amended Attachment 3 Scope of Work for Title III Support for HTA", attached hereto. For the avoidance of confusion, "Attachment 2 Scope of Work for Title III Support for PREPA" of the Consulting Agreement shall remain unchanged. If additional activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This First Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this First Amendment. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this First Amendment, all other terms of the Consulting Agreement shall remain in full force and effect, unaltered and unchanged by this First Amendment.

IN WITNESS WHEREOF, the parties have executed this First Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**


Name: Natalie A. Jaresko
Title: Executive Director
Date:

McKinsey & Company, Inc., Washington D.C.


Name: Tyler Duval
Title: Principal
Date: March 8, 2018

AMENDED ATTACHMENT 1
Scope of Work For Commonwealth Title III Support

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

Support for the Commonwealth Title III proceedings to the Board to include the following:

I. *Measure:*

- Revising fiscal measures contained in the March 13th Certified Fiscal Plan to reflect both magnitude of impact and feasibility of implementation post-hurricanes
- Developing new and augmented measures (e.g., agency-specific right-sizing measures) to achieve structural balance in post-hurricanes fiscal projections, including savings attributable to workflow reduction and demographic shifts
- Liaising with Government to incorporate updated data (e.g., healthcare population assumptions) and other inputs relevant to fiscal reform revisions
- Providing perspective on implementation planning and necessary support required for high-priority measures
- Coordinating weekly problem solving with FOMB staff, FOMB leadership and Board members, as needed
- Preparing documents and other support for listening session dedicated to measures redevelopment
- Providing Independent Board perspective of potential revised fiscal reforms, including measure-specific targets and initiatives to capture fiscal value
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for sizing of specific levers

II. *Baseline and Macro:*

- Reviewing full certified March 13th Fiscal Plan revenue and expenditure build (business-as-usual baseline) to identify major areas of impact post-Hurricane (e.g., based on population changes / movements, infrastructure impacted, etc.)
- Working with Board demographers and macroeconomists to triangulate major macroeconomic, rev/exp build assumptions across top-down and bottom-up data sources (incl., reports, real-time data, expert interviews) to identify new figures to represent major factors / assumptions
- Ensuring any new assumptions are incorporated within the comprehensive fiscal model
- Preparing documents and other support for listening session dedicated to macroeconomic, rev/exp build assumptions
- Providing Independent Board perspective on updated fiscal plan baseline in post-Maria context
- Preparing presentations and documents for public listening sessions, creditor sessions and other stakeholder engagement on fiscal measures
- Providing support models and documentation for new baseline

III. *Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:*

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meetings
- Continue development and refinement overall fiscal plan model working with Board staff, the Board and the Government
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan

- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Ad-hoc analyses and/or responses to questions regarding litigation and potential litigation related to Fiscal Plan and CW Title III
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
November 2017	\$2,220,000
December 2017	\$1,650,000*
January 2018	\$1,940,000
February 2018	\$1,940,000
March 2018	\$1,940,000

* McKinsey's monthly fixed fee for December 2017 has been prorated to reflect a shorter working month in light of the holidays and office closure.

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

AMENDED ATTACHMENT 3
Scope of Work For Title III Support for HTA

PERIOD OF PERFORMANCE:

November 1, 2017 – March 31, 2018

SCOPE:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational stabilization plans focused on near and immediate term actions to maintain sustainable operations and launch capex programs with specific implementation plans, resourcing and costing supporting their delivery
 - Debt restructuring terms and plans, agreed with creditors to the extent possible
 - Detailed privatization/corporatization plans supported by financial models and market engagement
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Stakeholder management plans and demonstrable success in engaging key stakeholders such as regulators
 - Macro-resource planning when required
 - Clear assessments of economic and social impacts on the people of Puerto Rico
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure, implementation plans, contract assumption and rejection
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
October 2017	\$0*
November 2017	\$300,000**

December 2017	\$300,000**
January 2018	\$425,000
February 2018	\$425,000
March 2018	\$425,000

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

*Due to the slow ramp up of work related to HTA post-Hurricane, McKinsey did not perform significant HTA-related work in October (under Attachment 3 Scope of Work for Title III Support for HTA of the Consulting Agreement) and has agreed to invoice \$0 for that month.

** For November and December, McKinsey performed two (2) weeks of work per month, and has agreed to invoice \$300,000 for each month (based on McKinsey's standard \$150,000/week team bundle rate).



**SECOND AMENDMENT TO CONSULTING AGREEMENT
BETWEEN MCKINSEY & COMPANY, INC. WASHINGTON DC
AND THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO
FOR STRATEGIC CONSULTING SUPPORT RE COMMONWEALTH TITLE III SUPPORT**

THIS SECOND AMENDMENT to the Consulting Agreement (the “Second Amendment”) effective date of April 1, 2018, is entered into by and between McKinsey & Company, Inc. Washington D.C. (“McKinsey”) and The Financial Oversight and Management Board for Puerto Rico (the “Board” or the “Client”) (together, the “Parties”).

WHEREAS, on or about July 3, 2017, McKinsey and the Board entered into a Consulting Agreement (the “Consulting Agreement”) for strategic consulting support related to Commonwealth Title III Support (the “Services”); and

WHEREAS, effective November 1, 2017, the Parties amended the Consulting Agreement to expand the scope of services to support the Board in connection with the required re-construction of the fiscal plan post-Hurricane (the “First Amendment”); and

WHEREAS, the Parties now desire to make additional amendments the Consulting Agreement to extend its duration and make modifications to the scope of services, as set forth below; and

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, the Parties hereto agree as follows:

1. SERVICES.

For both “Commonwealth Title III Support” and “Title III Support for HTA”, the period of performance shall be extended through June 30, 2019. For this period of performance, the scope of services for “Commonwealth Title III Support” is reflected in the “Second Amended Attachment 1 Scope of Work for Commonwealth Title III Support”, attached hereto; and the scope of services for “Title III Support for HTA” is reflected in the “Second Amended Attachment 3 Scope of Work for Title III Support for HTA”, attached hereto. For the avoidance of confusion, “Title III Support for PREPA”, as memorialized in the Consulting Agreement, shall remain unchanged. If additional services, activities and/or deliverables are required outside of those described herein, the Parties will negotiate a further amendment to reflect that support.

11. MISCELLANEOUS.

This Second Amendment, when executed by the Parties, shall be effective as of the date stated above. All understandings and agreements heretofore had between McKinsey and the Board with respect to the Services are merged into, or superseded by, this Second Amendment. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. Except as amended and/or modified by this Second Amendment, all other terms of the Consulting Agreement and First Amendment shall remain in full force and effect, unaltered and unchanged by this Second Amendment.

IN WITNESS WHEREOF, the parties have executed this Second Amendment, effective as of the date indicated above.

**The Financial Oversight and Management Board
For Puerto Rico**

Natalie A. Jaresko

Name: Natalie A. Jaresko
Title: Executive Director

McKinsey & Company, Inc., Washington D.C.

Tyler Duvall

Name: Tyler Duvall
Title Partner

SECOND AMENDED ATTACHMENT 3
Scope of Work for Title III Support for HTA

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Title III Support for HTA.

From **May 2018 – June 2019**, the scope of work shall be as follows:

In regards to work specifically supporting the Title III proceedings for the Board with relation to HTA, McKinsey will support the Board in the following ways:

- Coordinate and provide analysis related to development of the transformation plan and plan of arrangement for HTA
- Establishment of the HTA working group for Title III, including working group protocol, governance, cadence, targets and coordination
- Lead HTA working group for Title III, including leading meetings, developing core materials, workplans, agendas and coordination with HTA, AAFAF and its experts and advisors
- Develop transformation plan for HTA for Title III to include:
 - Operational efficiency measures focused on near and immediate term actions to maintain sustainable operations
 - Capex program priorities and efficiency measures
 - Opportunities to increase revenues
 - Action plans to implement all measures identified in the Fiscal Plans with additional measures to achieve Board targets
 - Governance and management plans that will enable delivery of actions
 - Clear timelines for delivery of the plan
- Coordinate development of and approval by the Board of other submissions related to the Title III proceedings, including Plans of Arrangements, financial disclosure and implementation plans
- Work with Board management and Board HTA subcommittee to provide updates and take guidance on HTA transformation and Title III
- Monitor implementation of all aspects of the HTA transformation plans and Title III plans
- Escalating deviations from plans and defining solutions for compliance

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$425,000
May 2018 – June 2019	\$310,000/month

McKinsey will submit invoices monthly, on or before the 25th day of each calendar month following the month during which the services were performed.

SECOND AMENDED ATTACHMENT 1
Scope of Work for Commonwealth Title III Support

PERIOD OF PERFORMANCE AND SCOPE:

For **April 2018**, the scope of work shall be as described in the November 2017 Amended Attachment 1 Scope of Work for Commonwealth Title III Support.

From **May 2018 – June 2019**, the scope of work shall be as follows:

Support for the Commonwealth Title III proceedings to the Board to include the following:

Advisor, Stakeholder, Litigation Support and Fiscal Plan Model:

- Prepare content, participate in, coordinate and lead cross advisor meetings and support stakeholder interactions
- Prepare content, participate in and advise the FOMB with respect to mediation sessions and Board meeting
- Prepare content and analyses and work alongside FOMB, government and stakeholders advisors with regards to development of Plan(s) of Adjustment
- Lead preparation of “best interests” analysis in coordination with other FOMB advisors
- Lead any further development, refinement or updates to fiscal plan and/or models working with Board staff, the Board and the Government
- Lead coordination with government advisors and government representatives on development, review and FOMB certification of any revised/new fiscal plan(s) and/or supporting materials
- Perform scenario analyses as requested by FOMB to assess impact of Hurricane Irma/Maria to Fiscal Plan
- Prepare analyses, support FOMB counsel and lead coordination of information diligence related to potential litigation involving the certified Fiscal Plan and/or other CW Title III matters
- Where required, provide expert testimony on the Fiscal Plan (2 per quarter) as well as analytical support for such expert testimony. If additional expert testimony is required, the Parties will negotiate additional fees.

FEES AND INVOICING:

McKinsey will be compensated on a firm fixed price basis, and will submit invoices monthly for services provided during that month, as set forth in the payment schedule below:

Period of Performance	Fee
April 2018	\$1,940,000
May 2018 – June 2019	\$1,417,500/month

McKinsey will submit invoices (Monthly Fee Statement) on a monthly basis, on or before the 25th day of each calendar month following the month during which the services were performed.

EXHIBIT B

Certification of McKinsey Washington Partner Tyler Duvall

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

-----x

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO, *et al.* (Jointly Administered)

Debtors.

-----x

CERTIFICATION OF TYLER DUVALL

I, Tyler Duvall, hereby declare the following under penalty of perjury:

1. I am one of the McKinsey Washington Partners providing consulting services related to the above-captioned Title III case;
2. I have personally performed many of the professional services rendered by McKinsey Washington as strategic consultant to the Debtors and am familiar with all other work performed on behalf of the Debtors by the Partners, Associates, and other persons in the Firm;
3. The facts set forth in the foregoing Thirteenth Monthly Fee Statement: Commonwealth Title III Support are true and correct to the best of my knowledge, information, and belief;
4. I have reviewed the Interim Compensation Procedures and believe that McKinsey Washington's Thirteenth Monthly Fee Statement: Commonwealth Title III Support complies therewith; and
5. In accordance with Section 11.a. of the Interim Compensation Procedures, I hereby certify as follows:

- i. No public servant of the Department of Treasury is a party to or has any interest in the gains or benefits derived from the Consulting Agreement (the contract) that is the basis of this invoice;
- ii. The only consideration for providing services under the Consulting Agreement (the contract) is the payment agreed upon with the authorized representatives of the Debtor;
- iii. The amount of this invoice is reasonable;

- iv. The services were rendered, and the corresponding payment has not been made; and
- v. To the best of my knowledge, McKinsey Washington does not have any debts owed to the Government of Puerto Rico or its instrumentalities.

Pursuant to 28 U.S.C. §1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: March 8, 2019
Washington, DC

s/Tyler Duvall

Tyler Duvall
Partner
McKinsey & Company, Inc. Washington DC

EXHIBIT C

Certification of FOMB Executive Director Natalie Jaresko

UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS

THE COMMONWEALTH OF PUERTO RICO,
et al.

(Jointly Administered)

Debtors.

**CERTIFICATION OF THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD
FOR PUERTO RICO AUTHORIZING SUBMISSION OF MCKINSEY WASHINGTON'S
MONTHLY FEE STATEMENTS FOR THE MONTH OF JANUARY 2019**

In accordance with the Second Amended Order Setting Procedures for Interim Compensation and Reimbursement of Expenses of Professionals [Docket Number 3269, June 6, 2018] ("Interim Compensation Procedures"), I hereby certify as follows:

1. I am the Executive Director of The Financial Oversight and Management Board for Puerto Rico ("FOMB");
2. On or about July 3, 2017, on my authorization, FOMB entered into a consulting agreement with McKinsey Washington for consulting services in support of the Title III litigation, which was first amended effective November 1, 2017, and amended again effective April 1, 2018 (the "Consulting Agreement");
3. McKinsey Washington has satisfactorily performed and fulfilled its obligations under the Consulting Agreement for the services provided in January 2019 under each of the three (3) workstreams of the Consulting Agreement, namely "Commonwealth Title III Support", "Title III Support for PREPA", and "Title III Support for HTA"; now, therefore,
4. Pursuant to Section 11.b. of the Interim Compensation Procedures, McKinsey Washington is hereby authorized to submit its Monthly Fee Statements for the allowance of compensation for reasonable and necessary strategic consulting services and support

provided during the month of January 2019, pursuant to each of the three (3) workstreams of the Consulting Agreement, namely “Commonwealth Title III Support”, “Title III Support for PREPA”, and “Title III Support for HTA.”

Dated: March 6, 2019



Natalie Jaresko, Executive Director
The Financial Oversight and
Management Board for Puerto Rico

EXHIBIT D

Title III Support for Commonwealth

January 2019

Summary of Work

The scope of McKinsey Washington's services and deliverables related to Commonwealth Title III in January 2019 involved engaging with the Government and Board advisors to incorporate revisions to the Fiscal Plan model, supporting the FY20 budget process, providing continued support relating to the FY19 budget, and responding to *ad hoc* requests. The team also supported the overall restructuring process by further developing the Best Interest Analysis, analyzing the Government's FY19 TSA Liquidity Plan, and responding to creditor requests.

The team incorporated revisions to the October Certified Fiscal Plan, including the integration of updated pensions data developed by Ernst & Young (EY). In addition, the team performed various analyses related to the Fiscal Plan, such as an analysis of Government severance and early retirement programs to quantify their impact on personnel headcount and expenditure decisions. The team also researched any new data available related to disaster recovery funds from FEMA, HUD, and other federal agencies as well as roll-out timing and cost share. In addition, the team worked with FOMB macroeconomist Andy Wolfe to assemble and review any new macroeconomic data on Puerto Rico.

The team provided continuing support in the FY19 budget process by informing the Board's response to agency communications, which included explaining how agencies' FY19 budget allocations were developed using the Fiscal Plan. In addition, the team supported the FOMB in the FY20 budget process on different fronts. First, the team analyzed the implications of revisions to the Fiscal Plan on the budget. Second, the team identified additional opportunity areas for entities to drive increased efficiency for FY20 agency budgets and conducted analysis on potential reinvestment opportunities. Third, the team, developed a FY20 budget process that would help the board and government achieve the fiscal controls and transparency expectations set in the Fiscal Plan. Fourth, the team supported the rollout of a budget reapportionment request process to ensure increased transparency and consistency in FOMB evaluation of agency submissions. Finally, team created agency-level analyses and outputs used as a starting point for the FOMB budget team and advisors to define initial FY20 budget targets

In the restructuring process, the team engaged extensively with Board counsel and financial advisors to refine the Best Interest Analysis required by PROMESA statute. The team incorporated updates to the model and jointly assessed preliminary output with the FOMB's advisors. The team also finalized the analysis of the FY19 Liquidity Plan prior to publication to assess a) historical

seasonality, b) net cash flow in 1H19 vs. 2H19, and 3) consistency with the Certified Fiscal Plan and Certified Budget. In addition, the team continued to gather information to respond to an information request received from Perella Weinberg, an advisor to a group of GO creditors. Finally, the team gathered documentation to support Board counsel in the ongoing GO Rule 2004 dispute.

McKinsey Washington's Commonwealth Title III Team Detailed Activities by Deliverable:

- Revised the Fiscal Plan model
 - Integrated updated pensions data developed by EY into the Fiscal Plan model, and published a revised version of the model in the creditor data room
 - Analyzed Government severance and early retirement programs to quantify their impact on personnel headcount and expenditure reductions
 - Conducted analysis on specific topics (e.g., legislature benchmarks) to inform Board decisions on initial FY20 agency budget targets
 - Gathered latest data on disaster recovery funds from FEMA, HUD, and other federal agencies
 - Analyzed latest available macroeconomic data on Puerto Rico with support of Board macroeconomist Andy Wolfe
- Supported FY19 and FY20 budget process based on Fiscal Plan
 - Analyzed implications of updates to October Fiscal Plan on FY19 and FY20 budget
 - Analyzed implications of various budget activities on Fiscal Plan compliance (e.g., potential approaches to FY2020 budget process, reapportionments)
 - Created agency-level analyses and outputs used as a starting point for the FOMB budget team and advisors to define initial FY20 budget targets
 - Identified additional opportunity areas for entities to drive increased efficiency for FY20 agency budgets as well as reinvestment opportunities
 - Developed a FY20 budget process that would help the board and government achieve the fiscal controls and transparency expectations set in the Fiscal Plan
 - Rolled out a budget reapportionment request and evaluation process to ensure increased transparency and consistency in FOMB evaluation of agency submissions and adherence to Fiscal Plan
 - Supported Board's response to agency communications related to their FY19 budgets, helping to explain how the Board arrived at their budget allocation via the Fiscal Plan
- Further developed and refined draft of Best Interest Analysis
- Finalized analysis on FY19 TSA Liquidity Plan
 - Analyzed the FY19 Liquidity Plan prior to publication for consistency with the Certified Fiscal Plan and Certified Budget, in collaboration with the Government's advisors and the FOMB team

- Supported the Board in developing perspectives and replies to *ad hoc* requests and questions from creditors and other stakeholders
 - Prepared responses to an information request received from Perella Weinberg, advisor to a group of GO creditors
 - Prepared responses to GO Rule 2004 document production requests in coordination with FOMB counsel
 - Provided information regarding agency efficiency targets, methodology, benchmarks, and others, in support of Board interactions with stakeholders
 - Supported Board staff in meetings with other relevant stakeholders regarding Fiscal Plan questions (e.g., Congressional briefings, discussions with think tanks, etc.)
 - Responded to *ad hoc* requests related to budget from the Board and its advisors

McKinsey Washington's Commonwealth Title III Team Detail and Contributions

The McKinsey team was led by Bertil Chappuis, Kevin Carmody, Thomas Dohrmann, Tyler Duvall, Jonathan Davis and Ojas Shah, who provided overall strategic guidance, expert input and coordination, as well as Associate Partners (Sara O'Rourke and Todd Wintner), who provided direction to the working team, expert input and stakeholder management. The working team consisted of 2 full-time Engagement Managers (Steven Van Camp, Anne-Marie Frassica), 3 full-time Associates (Rafael Rivera, Isabella Bennett, Angel Sarmiento) and 6 full-time Analysts (Anja Nilsson, Nikhil George, Andrew Wei, Tanner Snider, Paige Hannah, and Akshay Gupta).

- Bertil Chappuis (Senior Partner – part time – overall strategic direction)
 - Provided overall quality control on team content
 - Responsible for relationships with key stakeholders, including Board, Board staff, and co-advisors
 - Participated in Board meetings and sessions to review technical adjustments for the Commonwealth Fiscal Plan and to analyze implications on FY19 budget
 - Provided quality control on recommendations regarding Board's future strategy for budgeting agency
 - Participated in strategic discussion on the Best Interest Analysis and the Cash analyses (e.g., cash surplus analysis and liquidity plan review)
- Kevin Carmody (Senior Partner – part time – strategic direction, primarily regarding restructuring)
 - Participated in meetings with advisors and team working sessions related to the Best Interest Analysis
 - Provided quality control on various team workstreams, mostly related to Restructuring topics
 - Provided strategic thought leadership in preparation of the responses to the GO Rule 2004 Dispute

- Thomas Dohrmann (Senior Partner – part time – overall strategic direction)
 - Participated in select Board sessions and FOMB meetings discussing Fiscal Plan technical adjustments and implications for FY19/ FY20 Budget
 - Participated in team working sessions related to the Fiscal Plan and translation into Budget, as well as in sessions related to Best Interest Analysis
- Tyler Duvall (Partner – part time – overall strategic direction)
 - Provided overall leadership across all aspects of the Fiscal Plan, the budget, and the restructuring
 - Participated in working sessions relating to all major areas of analysis, ensuring consistency, pressure testing assumptions, and framing decisions for Board
 - Led team's participation in Board working sessions, specifically related to Commonwealth Fiscal Plan, budget, and Best Interest Analysis
 - Provided expertise on translation of the Fiscal Plan updates into the FY19 Budget, as well as on the Board's future strategy regarding agency budgeting
 - Conducted review sessions and provided feedback on Restructuring related topics such as Best Interest Analysis and Implied Cash Surplus analyses
 - Provided regular counsel directly to senior leadership team of FOMB on a wide range of topics related to the Fiscal Plan and Implementation
- Jonathan Davis (Partner – part time – content director on Fiscal Plan Macro, revenues and structural reforms)
 - Provided subject matter expertise on revenue topics related to Best Interest Analysis
 - Provided guidance and subject matter expertise in translating fiscal plan content into implementation monitoring
 - Provided guidance and subject matter expertise in analyzing updated information on disaster recovery spending, macroeconomic indicators, to determine implications for the fiscal plan
 - Provided guidance and subject matter expertise related to creditor information requests
- Ojas Shah (Partner – part time – content director on Fiscal Plan expenditures and restructuring)
 - Provided overall leadership across all aspects related to Restructuring topics
 - Oversaw preparation of FY19 liquidity plan analyses and review with FOMB
 - Led overall content development regarding Best Interest Analysis
 - Participated in discussions with counsel and reviewed materials assembled at the request of counsel related to litigation matters
 - Participated in Board and advisors calls to provide updates regarding Title III and Fiscal Plan related analyses
- Todd Wintner (Associate Partner – part time – content director on healthcare and education)

- Directed work on all matters related to healthcare including refining projections to incorporate deepening understanding of federal funding streams and other auxiliary revenues (e.g., updates to federal fund accounts)
- Provided guidance and quality control on technical adjustments on healthcare federal funding streams
- Provided subject matter expertise on healthcare measures implemented in other geographies
- Sara O'Rourke (Associate Partner – full time – Fiscal Plan & integrating engagement director)
 - Provided overall guidance and quality control on Board materials and briefing documents related to the Commonwealth Fiscal Plan and translation to budget
 - Provided overall guidance and content control for responses to questions from the Government about the Certified Fiscal Plan, and communications related to the FY19 Budget
 - Provided expertise on translation of the Fiscal Plan updates into the FY19 Budget, as well as on the Board's future strategy regarding agency budgeting for FY20
 - Provided strategic fiscal expertise for fiscal plan and budget to enable board to finalize spend priorities
- Steven Van Camp (Engagement Manager – full time – integrating engagement manager)
 - Led meetings with FOMB advisors and team working sessions to refine the Best Interest Analysis
 - Participated in working sessions to test the FY19 TSA Liquidity Plan for consistency with Board-certified documents
 - Led discussions with the FOMB to review interim analyses related to the Best Interest Analysis and FY19 Liquidity Plan
 - Prepared document production related to the GO Rule 2004 dispute with FOMB's legal advisors
 - Prepared responses to mediation request by Perella Weinberg, an advisor to a group of GO creditors
- Anne-Marie Frassica (Engagement Manager – full time – integrating engagement manager with primary focus on Fiscal Plan)
 - Managed working team responsible for incorporating updates to the October Fiscal Plan
 - Responded to FOMB requests to understand historical spending and impact of Fiscal Plan on Commonwealth agencies
 - Gathered latest data on disaster recovery funds from FEMA, HUD, and other federal agencies to update perspective on potential disaster fund totals, roll-out timing, and cost share
 - Analyzed new available macroeconomic data on Puerto Rico with support of Board macroeconomist Andy Wolfe

- Developed plan and approach to updating the Fiscal Plan for April recertification
- Rafael Rivera (Senior Associate – full time – junior engagement manager with focus on restructuring)
 - Managed working team responsible for restructuring topics and Best Interest Analysis
 - Participated in working sessions with other FOMB advisors (Proskauer, CITI) to refine assumptions on Best Interest Analysis
 - Presented interim results and conducted walkthrough of BIT model for FOMB internal and external legal counsel
 - Prepared responses regarding Perella Weinberg data request
 - Led compilation documents and responses required from legal advisor Proskauer for the GO Rule 2004 dispute
- Isabella Bennett (Associate – full time – focused on restructuring, pensions and healthcare)
 - Worked with FOMB internal and external legal counsel to refine legal parameters for the Best Interest Analysis
 - Worked with Government and FOMB advisors to prepare estimates of debt owed by the Commonwealth and debt paid since the initiation of Title III proceedings
 - Prepared refinements and updates to the draft Best Interest Analysis model
 - Participated in working sessions with FOMB counsel and other advisors to review interim progress on Best Interest Analysis model
 - Prepared analysis to support the development of options for reinvestment in healthcare on the Island to be reviewed by the FOMB to inform potential updates to Fiscal Plan
 - Supported work to translate the Fiscal Plan model output into the budget for the Commonwealth specifically related to projected Medicaid cost baseline for FY20 and measure value
- Angel Sarmiento (Associate – full time – focused on rightsizing and budget)
 - Prepared questions and materials for agency meetings related to assessing upcoming FY20 budget submissions
 - Prepared analysis to validate compliance of agency reapportionment requests with the Fiscal Plan
 - Developed a standardized process for evaluating agency budget reapportionment and agency budget increase requests, which was used as a starting point for further refinements by FOMB staff
- Anja Nilsson (Analyst – full time – focused on fiscal plan expenditures, rightsizing, budget, and other)
 - Led analysis to ensure that FY20 CW agency budget targets were compliant with the Fiscal Plan
 - Supported FY20 budget process through creation of agency expenditure reporting templates

- Supported Board response to agency communications related to their FY19 budgets, helping to explain how the Board arrived at their budget allocation (e.g., bridging their FY18 budget to the FY19 budget, mapping all measures to agencies)
 - Supported development of *ad hoc* analysis requested by the FOMB related to the Fiscal Plan and budget
- Nikhil George (Analyst – full time – focused on fiscal plan expenditures, rightsizing, budget, and other)
 - Performed analysis to identify opportunity areas to drive increased efficiency for FY20 commonwealth agency budgets in areas like legislatures, courts, privatization of entities, subsidies, and reinvestment
 - Developed a standardized process for evaluating agency budget reapportionment and agency budget increase requests, which was used as a starting point for further refinements by FOMB staff
 - Supported the launch of the FY20 budget and fiscal plan process in collaboration with other Government's advisors
- Andrew Wei (Analyst – full time – focused on restructuring, expenditures and IFCUs)
 - Prepared analysis of the FY19 Liquidity Plan to verify consistency with the Certified Fiscal Plan and Certified Budget, in collaboration with the Government's advisors and the FOMB team
 - Participated in team working sessions to discuss updates to the Fiscal Plan, including the incorporation of technical adjustments
 - Assisted with response to certain creditor questions regarding the Certified Fiscal Plan and supported preparation for a walkthrough of the Fiscal Plan with creditors
 - Performed various *ad hoc* analyses to support the FY20 budget process and the Best Interest Analysis
- Tanner Snider (Analyst – full time – focused on rightsizing and budget)
 - Analyzed Government severance and early retirement programs to quantify their impact on personnel headcount and expenditure reductions
 - Conducted analyses on mainland comparative benchmarks for several agencies to inform Board decisions on FY20 agency budget targets
 - Input Board decisions on FY20 budget targets into the agency efficiencies rightsizing model to reflect the impact of stated decisions
 - Developed a standardized process for evaluating agency budget reapportionment and agency budget increase requests, which was used as a starting point for further refinements by FOMB staff
- Paige Hannah (Analyst – full time – focused on Fiscal Plan, pensions, healthcare, and expenditures)
 - Updated and reviewed fiscal plan model to incorporate pensions update

- Supported analysis of current view of 1108 Medicaid funding and to assess implications on Fiscal Plan
- Conducted model analysis to prepare to integrate updated agency data and FOMB decisions during the FY19 budgeting process
- Akshay Gupta (Analyst – full time – DRF, macro, revenues, and other)
 - Gathered research on the latest updates to disaster relief funding, including data from HUD and FEMA, as well as press updates regarding agency awards to the Commonwealth
 - Analyzed and tested impact of new Commonwealth tax legislation in collaboration with EY on long-term General Fund revenues
 - Analyzed new available macroeconomic data on Puerto Rico with support of Board macroeconomist Andy Wolfe

EXHIBIT E

January 2019 Invoice

McKinsey&Company

The Financial Oversight and
Management Board for Puerto Rico
PO Box 195556
San Juan, Puerto Rico 00919-5556

ATTN: Promesa Assistant
accountspayable@promesa.gov

Invoice No: USG-7453QK-5602

Consulting Agreement
Client for Strategic Consulting support related to
the Title III Cases
Effective Agreement Date: November 1, 2017
Amendment Date: April 1, 2018

Invoice Date: 03/07/2019

Net 30

FFP Payment Schedule for Commonwealth Services

Invoice PoP: January 1, 2019 – January 31, 2019

Gross invoice amount for services performed outside Puerto Rico:	\$ 694,073.49
Gross invoice amount for services performed in Puerto Rico:	\$ 1,018,910.58
Subtotal	\$ 1,712,984.07
Less withholding tax deducted at source	\$ (295,484.07)
Net Invoice Payable:	\$ 1,417,500.00

Total Invoice: \$1,417,500.00

McKinsey reserves the right to reissue an invoice to account for changes in applicable taxes.

Please wire transfer payment to:
McKinsey & Company, Inc.
Citibank N.A.
Bank Account Number: 30420698
Bank ABA Routing Number: 021000089

If remitting by check please send check to:
McKinsey & Company, Inc.
P.O. Box 7247-7255
Philadelphia, PA 19170-7255

Federal Tax ID#: 56-2405213

Please reference the invoice number and invoice date on your remittance advice.

For advice or questions on remittances, please contact Pamela Wertz 202-662-0060 or Jordan Mandell 202-662-0938.